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China Report

ECONOMIC AFFAIRS



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22 APRIL 1987

CHINA REPORT

ECONOMIC AFFAIRS

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PROVINCIAL AFFAIRS

INDUSTRIAL OUTPUT ATTRIBUTED TO BOHAI COOPERATION

OW280404 Beijing XINHUA in English 0244 GMT 28 Mar 87

[Text] Tianjin, 28 Mar (XINHUA)--Tianjin's total industrial output value hit a record 30 billion yuan (8.1 billion U.S. dollars) last year, according to Li Changxing, vice-mayor of the northern coastal city.

Li attributed this to the ongoing economic cooperation in the Bohai Sea area.

Last May, mayors and economic commissioners from 15 cities and districts along the Bohai Sea, including Dalian, Qinhuangdao, Tangshan, Tianjin, Yantai, and Qingdao, attended a joint meeting and reached an agreement to cooperate with each other in establishing nine coordinating networks involving economy, technology, information, finance, commerce, tourism, and personnel training.

Li told XINHUA that Tianjin's iron and steel industry needs 600,000 tons of pig iron a year, so the city started a joint pig-iron mill in Qianxi County, Tangshan City, under a contract stating that Tianjin will obtain 90 percent of the pig iron while 90 percent of the profits will be turned over to the county. The annual output value of the mill exceeds 50 million yuan (13.5 million U.S. dollars), outstripping the total industrial and agricultural output value of the county.

"The Bohai Sea area enjoys exceptional advantages in petroleum, coal, and iron," said Li, "to bring these into full play, we must first of all mobilize those businesses with quality products to set up enterprise groups; second, establish a center to collect funds for developing enterprises; third, cooperate with each other to exploit the rich natural resources of the Bohai Sea; fourth, in order to meet the needs of international markets, we should take advantage of the ports along the Bohai Sea to produce export-oriented products."

He added, "Under the open policy, Tianjin, the biggest city and the cooperation center in the Bohai Sea area, will make great efforts for economic cooperation and become a hub of technology, trade, and accounting."

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CSO: 4020/155

PROVINCIAL AFFAIRS

STEADY DEVELOPMENT OF GANSU ECONOMY

Beijing JINGJI RIBAO in Chinese 6 Mar 87 p 3

[Unattributed article: "Gansu Economy Undergoing Steady and Harmonious Growth; Last Year's GVIAO Reached 17.38 Billion Yuan; This Year's Plan Will Reach 18.49 Billion"]

[Text] In 1986, Gansu's economy, in the midst of reform and decontrol, continued its steady and harmonious development; the province's GVIAO reached 17.38 billion yuan, an 8.3-percent increase over the previous year.

Gansu's 1986 GVIO reached more than 12.87 billion yuan, an 8.7-percent increase over the previous year. The rate of increase in light industry and collective industry, which had previously been rather weak, exceeded that of heavy industry and state-run industry. The increase was greatest for such readily marketable light industrial and textile products as cameras, washing machines, beer, cigarettes, cotton yarn, wool blankets, pig iron, rolled steel, plate glass, and nonferrous metals. The province's budgeted GVIO, sales income, and realized profits increased by 5.8 percent, 10.5 percent, and 8 percent, respectively. On the basis of three continuous years of significant declines, losses again fell 3.3 percent.

Commodity production is developing rapidly in the province's rural areas; grain output is increasing, and all sectors are flourishing. GVAO reached 4.51 billion yuan, a 7.1-percent increase over the previous year. Total grain production reached 5.51 million tons, a 3.9-percent increase. Output of oil crops, melons, and vegetables rose sharply. Vegetables shipped out of the province reached all-time highs, making Gansu the country's foremost vegetable supplier. Grassland planting and afforestation met the annual plans. At year's end there were 5,389,000 head of large livestock and 9,761,000 head of sheep and goats in inventory, increases of 6.1 percent and 6.9 percent, respectively, over the previous year. Total meat output increased 20.1 percent over the previous year; total wool output increased more than 10 percent. Total output value for animal husbandry reached 1 billion yuan, a 13.6-percent increase. Total output value for township enterprises rose 41.5 percent over the previous year.

The scale of capital construction in the province has been brought under control, and returns on investments have risen. Investment in capital

construction for the year amounted to 1.67 billion yuan; the scale of investment continues to be kept within the plans set by the state. There are more than 1,500 projects under construction in the province, and of these, more than 700 are new, representing increases of 13 percent and 34 percent, respectively; 652 projects have been completed and gone into production, adding 1.2 billion yuan in fixed assets. Investments in local renovation and transformation totaled more than 600 million yuan, accounting for 93.2 percent of planned investments, and 298 projects have been completed and gone into production.

The province's urban and rural markets are brisk, and financial income is increasing. Domestic net purchases and sales of commodities rose 12 percent and more than 15 percent, respectively, over the previous year; retail sales of commodities rose 13.3 percent. Foreign exchange generated by exports for the first time broke through the \$100 million threshold; 10 projects involving direct foreign investment have been attracted. Bank deposits and urban and rural savings deposits increased 24.7 percent and 42.5 percent, respectively. Surplus financial income met the annual budget, increasing by 12.4 percent over the previous year.

In 1987, Gansu proposes to continue to ensure steady and harmonious development of the provincial economy; the plan is for GVIAO to reach 18.49 billion yuan, a 6.4-percent increase over last year. The respective agricultural and industrial output values will increase 4.5 percent and 7.4 percent. In grain production, land area will be stabilized and inputs increased; the focus will be on unit production, with increased income through drought prevention, in an effort to raise output to 5.75 million tons for the year. Industries will put economic benefits first, pursue reforms, launch broad, horizontal economic alliances, improve enterprise management, and raise economic benefits to higher levels. Recently, the provincial government has set about increasing production and economizing to increase income and reduce expenditures throughout the province; it is calling for an additional increase of 400 million yuan in GVIO, and an increase of 170 million yuan in financial income, over this year's original plans.

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CSO: 4006/435

PROVINCIAL AFFAIRS

GUANGDONG ECONOMIC DEVELOPMENT ANALYZED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 16 Feb 87 p 4

[Article by Wang Xueming [3769 1331 0682], Zhu Jiajian [4281 1367 0256], and Zhang Xiangrong [1728 0686 2837]: "Guangdong's Economy: Analysis of Factors in Growth During the Sixth 5-Year Plan and Prospects for Development During the Seventh 5-Year Plan"]

[Text] The key to correct evaluation of a region's economic growth is not whether it underwent a one-time spurt or slowdown, but rather whether it possesses the conditions for sustained, stable economic growth and whether it maintains fairly good economic momentum. To correctly analyze the conditions for growth, we must distinguish the factors that promote economic growth.

Reform and Decontrol Are the Main Factors Promoting Rapid Development

Guangdong's economic growth during the Sixth 5-Year Plan, pulled along by demand, was characterized by the increased production of nonnecessities, particularly of durable consumer goods.

In terms of demand, previously suppressed demand was quickly unleashed under the impetus of rural economic reform, urban distribution policies, and reform of price policies. During the Sixth 5-Year Plan, the income of Guangdong's peasants rose 4 billion yuan each year; total wages of urban staff and workers increased from 4.8 billion in 1980 to 9.6 billion in 1985; the annual average increase in per capita income of peasants and staff and workers was over 9.5 percent, and the rapid increase in urban and rural incomes raised the level of consumer demand. During the Sixth 5-Year Plan, total retail sales of social commodities in Guangdong increased an average of 18.3 percent. This not only stimulated demand for production, it also caused profound changes in the consumer demand structure; the increased income of most citizens was increasingly directed at durable consumer goods. During the Sixth 5-Year Plan China declared an end to the stage of consumption dominated by necessities, and the demand for nonnecessities, especially for durable consumer goods, has continued to rise. Pulled along by this demand, production of durable and semidurable consumer goods in Guangdong underwent rapid growth; according to statistics, the increase in production of consumer goods amounted to one-fourth of the industrial growth during the Sixth 5-Year Plan.

In terms of supply:

1. Rural economic reform has led to bumper harvests year after year. Total GVAO in 1985 reached 17.46 billion yuan, an increase of 5.2 billion yuan over 1980 at constant 1980 prices. Purchases of agricultural and sideline products were 11.44 billion yuan in 1985, double the figure for 1980. This growth in agriculture not only provided abundant raw materials for light industry, it also provided the necessary accumulation of funds for the development of all the province's trades.

2. The scale of investment in fixed assets expanded, and newly added productive capacity increased. During the Sixth 5-Year Plan, cumulative investment in fixed assets was 58.75 billion yuan, a 375-percent increase over the Fifth 5-Year Plan, with an average annual increase of 48.1 percent.

3. Large-scale imports of technical equipment, raw materials, and bulk items. During the Sixth 5-Year Plan, use of foreign exchange reached 10.3 billion. From 1981 through 1984 imports of the means of production and raw materials amounting to \$4.88 billion, imports of assembly parts and spares amounting to \$680 million, and imports of production lines and equipment amounting to \$1.17 billion were very helpful in making up for inadequate domestic supply. These imports greatly stimulated Guangdong's production of electronics, household appliances, and other durable goods.

4. Township enterprises underwent strong growth. Successful rural economic reform shifted large amounts of funds and labor into the development of township enterprises. Rural GVIO increased from 3.59 billion yuan in 1980 to 10.32 billion yuan in 1985, with township enterprises creating 24.6 percent of Guangdong's newly added industrial output value of 27.55 billion yuan during the Sixth 5-Year Plan.

5. Large-scale use of an inflow of foreign capital and funds from outside the province to make up for insufficient capital construction funds in Guangdong. During the Sixth 5-Year Plan, Guangdong actually used \$2,524,000,000 in foreign exchange; converted to RMB, this corresponds to 13.65 percent of total investment in construction in Guangdong during the same period. The bank lending shortfall during the Sixth 5-Year Plan reached more than 30 billion, causing a large net inflow of funds from outside the province and providing a reliable source for fixed assets in Guangdong.

6. The shift in funds caused by price differences has become an important source of accumulation of funds for Guangdong. There are three types of price difference: 1) The price difference between exchange generated and exchange utilized; in 1984 and 1985 alone, there was a net inflow of several billion yuan in foreign exchange. 2) Price differences between foreign and domestic raw materials and commodities; the price difference for imported durable consumer goods and assembly parts marketed domestically is especially great. It is estimated that in recent years these goods earned \$2 billion from being marketed outside Guangdong after being imported; with each dollar in imports generating from 1 to 1.5 yuan in profit, this would convert to between 2 and 3 billion yuan in funds accumulation. 3) The price difference between domestic raw materials and manufactured goods; although Guangdong does not make use of many raw materials that are subject to plans, this amount always represents a significant inflow of funds and is becoming an important source of funds accumulation for the province.

PROVINCIAL AFFAIRS

GUANGDONG: SPECIAL TREATMENT FOR POOR RURAL HOUSEHOLDS

HK040627 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 4 Apr 87

[Text] The provincial government recently approved the views of the civil affairs department on assisting poor rural households in extricating themselves from poverty and getting rich, and demanded that all localities and units seriously implement them.

The views point out: Except for those products on which, according to the state tax law, taxes cannot be reduced or waived, products produced and sold by cooperative enterprises of various types organized by over 60 percent of the poor rural households should enjoy 2 years' reduction or waiving of product tax, increased value tax, and business tax. The same principle should also apply to industrial, commercial, transport, building, and service undertakings run by individuals from poor rural households.

The views point out that each year the prefectures, cities, and counties should raise a certain amount of capital for supporting poor households. This capital should be made available in the form of interest-free compensatory loans. The repayment period can be appropriately extended for those who are in practical difficulty in repaying these loans.

The views also stress that the industry and commerce administrative departments should give priority to issuing business licenses to poor households applying to run collective or individual industrial and commercial business, so long as they meet the criteria for running collective enterprises. Poor rural households are all exempted from paying subsidies for township and town cadres and fees apportioned on industry.

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INCIAL AFFAIRS

GDONG WARNS ON INCREASED SPENDING BY SOCIAL GROUPS

0307 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 29 Mar 87

At] According to data from the provincial financial department, there was a very sharp rise in the purchase of expensive goods by social groups in Guangdong last year, and this must arouse a high degree of attention. Last year the purchasing power of social groups under whole-people ownership in the province reached 1.2 billion yuan, a rise of 40 percent over 1985. The increase in purchases of expensive goods by these groups was particularly noticeable. Their purchases of large automobiles, motorcycles, cassette recorders, and large or high-grade musical instruments rose by over 50 percent. Purchases of video recorders, color television sets, refrigerators, washing machines also showed big increases.

Excessive purchases of expensive goods by social groups, and especially those that are in short supply in the markets, will not only affect market supplies and the withdrawal of currency from circulation but will also harm the effort to carry forward the party's fine tradition of arduous struggle in building the country with diligence and thrift. This practice is also liable to make people divorced from the masses and develop bureaucratism.

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PROVINCIAL AFFAIRS

GUANGXI GOVERNMENT OUTLINES ECONOMIC REFORM MEASURES

HK050637 Nanning Guangxi Regional Service in Mandarin 1030 GMT 4 Apr 87

[Text] The regional government recently issued opinions on work regarding economic structural reform in 1987, which explicitly answered the question of where the focal points should be. The general demand is: Act in accordance with the central call for seriously upholding the four cardinal principles and implementing the principle of reform, opening up, and invigoration, grasp invigoration of the enterprises as the core, and do a thoroughly sound job in deepening the reform.

In accordance with the principle of separating ownership from operating power, this year the region should actively reform the existing enterprise operational mechanism and continue to do a good job in implementing various economic contract responsibility systems, with responsibility for targets and for profits as the main content. These should also be integrated with the system of the responsibility of a plant manager for reaching a target during his term of office, and continually summed up and perfected.

Small industrial and commercial enterprise enterprises owned by the whole people, together with medium-sized enterprises that are running at a loss, can actively promote the leasing and contract operational systems. Some small commercial and service trade enterprises can have their assets jointly appraised by the local financial departments, banks, industrial and commercial administrative departments, and the departments in charge of the enterprises, and these latter departments can auction them or sell them for their value in terms of shares. Each prefecture and city can organize auction pilot projects involving one or two small enterprises.

Nanning and Liuzhou cities will organize pilot projects in three to six large and medium enterprises in contract responsibility for progressive increase in profits and in enterprise operational responsibility systems. Prefectures and cities where the conditions are right can also select one or two enterprises as pilot projects in asset management responsibility systems and the joint stock system.

The prefectures and cities should draw up schemes for these pilot projects and put them into effect after examination and approval by the regional people's government.

We should continue to develop lateral economic ties. This is a strategic policy decision for invigorating Guangxi's economy. This year we must take full advantage of the radiation role of the key cities in developing economic ties between urban and rural areas and developing various kinds of economic combines. We should encourage the development of enterprise groups and consortia and continue to do a good job in cooperation and counterpart support between the region and other areas.

We must further invigorate circulation and promote the development of commodity economy. We must deepen reforms in the commercial setup and strive to explore new-style commercial systems. We should actively develop production materials markets. On the basis of continuing to run well their materials trade centers, the five cities directly subordinate to the regional authorities, should actively open up metals exchange markets. These five cities should also further set up and put on a sound basis a capital interbank loan market. There should be a flow of capital both inside and outside the banking system and between various areas, so as to even out surpluses and shortages of capital. At the same time, we should promote the business of commercial paper discounts and loans on collateral. We should set up a commercial paper exchange center, develop urban credit cooperatives, and support and encourage the promotion of non-governmental credit activities.

We should actively develop the science and technology market, the building market, the labor market, and so on.

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CSO: 4006/500

PROVINCIAL AFFAIRS

HEBEI REPORTS ECONOMIC PROGRESS SINCE 1978

HK280218 Shijiazhuang Hebei Provincial Service in Mandarin 0000 GMT 28 Mar 87

[Excerpts] Hebei has scored great success in economic and social development since the 3d Plenary Session of the 11th CPC Central Committee. Gross social output value in 1986 was 84.5 billion yuan. Industrial and agricultural output value, national income, and gross domestic product nearly doubled compared with 1978.

Profound changes have taken place in the rural areas over the past 8 years as a result of carrying out economic reforms in depth and readjusting the production structure. Agricultural output value has risen at an average annual rate of 6 percent, greatly exceeding the average rate of (2.8) percent over the previous 26 years.

In industry, the investment structure in light and heavy industry has been rationally readjusted. In particular, the urban economic reforms have broken down the iron rice-bowl and the practice of everybody eating out of the same big pot and have closely integrated the workers' duties, rights, and interests. Lateral economic ties have broken through the management setup of separation of central ministries from local governments and provided new invigoration for the enterprises. The province's total industrial output value in 1986 was 50.6 billion yuan, nearly double the figure for 1978.

People's incomes have continually increased in the wake of production development. Average peasant income in 1986 was 401 yuan, an increase of 260 percent compared with 1978. The urban workers' income for living costs was 766 yuan, a rise of 180 percent compared with 1978. Due to the higher incomes, the masses' purchasing power is increasing all the time. Total social retail sales of commodities last year amounted to 23.55 billion yuan, a rise of 180 percent compared with the period before the 3d Plenary Session of the CPC Central Committee.

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CSO: 4006/500

PROVINCIAL AFFAIRS

HEBEI COMMUNIQUE ON 1986 ECONOMIC DEVELOPMENT

SK310540 Shijiazhuang HEBEI RIBAO in Chinese 14 Mar 87 p 2

[Communique on Hebei Provincial 1986 national economic and social development issued by the Hebei Provincial Statistical Bureau on 9 March]

[Text] In 1986, under the leadership of the provincial party committee and government, the people of various nationalities throughout the province conscientiously implemented the policy of reform, opening to the outside world, and enlivening the domestic economy, consolidated and developed the results achieved in the reforms in various fields, and scored new achievements in the national economic and social development. The total social product of the year (Footnote 1) (Total social product is the sum of the total output value of agriculture, industry, construction, transport, posts, telecommunication, and commerce (including supply and marketing of material and equipment, and catering). National income is the sum of net output value of the above-mentioned five departments.) was 84.5 billion yuan, up 7.8-percent over the previous year. Of the sum, the industrial and agricultural output value was 67.83 billion yuan, up 8.0 percent, and the national income came to 37.5 billion yuan, up 5.7 percent. On the basis of a steady development in production, technical transformation was accelerated, markets were thriving, foreign economic relations were flourishing, a balance was achieved in revenues and expenditures, and the people's living standards improved. New progress was made in science and technology, education, culture, public health, sports and other undertakings. According to preliminary statistics, the GNP (Footnote 2) (GNP refers to the increased value of both the productive and nonproductive sectors.) of 1986 totaled 42.7 billion yuan, an increase of 6.4 percent over the previous year. Major problems in the economic development were the poor economic results, strained financial resources, an inordinately rapid growth in consumption demands, and a continuous decline in the degree of self-sufficiency of commodities.

1. Agriculture

Agricultural production was affected by serious drought in 1986, but the rural economy of the province showed a fairly rapid growth thanks to the readjustment of the rural production setup, and the vigorous development of the secondary and tertiary industries. The total rural social product of the

province (Footnote 3) (Total rural social product includes the total output value of agriculture and of collectively and privately owned rural industries, construction, transport, and commerce.) came to 37.59 billion yuan, up 10.8 percent over the previous year. Except for agriculture, all industries showed continuous growth. The rural industries increased by 34.0 percent, construction by 6.5 percent, transport by 6.1 percent, and commerce and catering by 9.7 percent. (Footnote 4) (The total social product, national income, GNP, total rural social product, and industrial and agricultural output value are calculated in terms of 1986 prices; and the rate of growth over the previous year is calculated in accordance with comparable prices.)

In 1986, more than 34 million mu of farmland in Zhangjiakou and Chengde prefectures, and in some localities in southern Hebei were affected by drought, of which more than 7 million mu was totally destroyed. However, losses caused by the damage were reduced thanks to strengthened leadership over agriculture, and the concerted efforts of the people throughout the province. The agricultural output value of the year totaled 17.2 billion yuan, a decline of 1.9 percent from the previous year. Of that, the output value of the cropping industry was 12.47 billion yuan, a decline of 5.7 percent; and that of forestry, animal husbandry, and fisheries was 4.73 billion yuan, up 7.5 percent, and their proportion rose from 26.3 percent in the previous year to 27.5 percent. The structure of crops was further readjusted, with the proportion of the farmland sown to grain crops rising from 75.0 percent in the previous year to 77.8 percent, and that of the farmland sown to cash crops and other crops declining from 25.0 percent in the previous year to 22.2 percent. The total output of grain was 19.655 million tons, the same as 1985 in which a bumper harvest was reaped. The output of cotton and oil-bearing seeds was reduced due to planned reduction of farmland and natural disasters.

The output of major agricultural products was as follows:

	1986	% increase over 1985
Grain	19.655 million tons	-0.1
of which wheat		
miscellaneous	8.268 million tons	11.1
grains	8.968 million tons	-6.7
tubers	1.251 million tons	-13.4
Cotton	511,000 tons	-18.8
Oil-bearings crops	618,000 tons	-28.9
of which peanuts	476,000 tons	-17.9
Dry and fresh fruits	1.757 million tons	6.3
Beets	79,000 tons	-60.3
Flue-cured tobacco	4,000 tons	-20.0
Jute, ambary hemp	28,000 tons	-46.2

Further implementation of forestry policies aroused the people's enthusiasm for planting, managing, and protecting trees. A total of 2.081 million mu of trees were planted in the year (Footnote 5) (According to the Forest Law, this figure is calculated in line with the standard of the survival rate of 85 percent or more. If calculated in line with the survival rate of 40 percent, it is 4.70 million mu). Afforestation in mountainous and plain areas was also developed.

New progress was made in animal husbandry. The output of pork, beef, mutton, milk, poultry, and eggs continued to increase, and the number of draught animals and sheep by the end of the year rose.

The output of major animal by-products, and head of livestock were as follows:

	1986	% increase over 1985
Pork, beef, and mutton	918,000 tons	12.2
Milk	84,000 tons	15.1
Pigs slaughtered	11.395 million head	12.0
Draught animals at year's end	4.752 million head	6.4
Pigs at year's end	14.074 million head	-1.0
Sheep at year's end	8.159 million head	13.1

Fish production also grew rapidly. The output of aquatic products was 155,000 tons, an increase of 21.1 percent over the previous year. Of this, the total catch of marine products rose by 123,000 tons, an increase of 17.1 percent.

The agricultural technology and equipment improved. At the end of the year, the province's total power capacity of farm machines reached 22.22 billion watts, an increase of 11.4 percent. There were 36,000 large and medium-sized tractors, a drop of 2.7 percent, and 362,000 small hand-guided tractors, an increase of 24.8 percent. The number of heavy-duty trucks for farm use reached 36,000, an increase of 9.1 percent. The capacity of irrigation and drainage equipment reached 11.65 billion watts, an increase of 10.4 percent. A total of 1.153 million tons of chemical fertilizers were applied, an increase of 4.4 percent. The rural areas used a total of 4.76 billion kwh of electricity, an increase of 16.2 percent over the previous year.

Farmland water conservancy construction drew universal attention. In 1986 the province as a whole completed 29,000 small water conservancy projects, improved 1,300 square meters of water and soil eroded areas, and solved the drinking water problem of 230,000 people in the mountainous areas. At the end of the year, the province had a total of 637,000 motor-pumped wells, of which 574,000 were well coordinated. Under the situation in which a fairly large area was plagued by drought, we effectively expanded the irrigation areas to 53.311 million mu and basically maintained the irrigation level of the previous level. However, the inadequate momentum for agricultural production still constitutes the main facts of restricting agricultural development.

Township enterprises continued to develop. The province's total output value of township enterprises came to 22.3 billion yuan, up 22.5 percent over the previous year.

Bad weather forecasts by the meteorological departments were fairly accurate and prompt, making active contributions to developing production, and ensuring the safety of people's lives.

2. Industry

Industrial production turned to a sound path of development. The annual industrial output value came to 50.63 billion yuan, up 11.7 percent over the previous year. If the output value from the industrial units at and below the village level was excluded, the increase was 7.6 percent, thus, we realized the demand of "ensuring a 70-percent increase and striving for a 80-percent increase." Of the total industrial output value, the output value of light industry was 23.74 billion yuan, up 11.5 percent over the previous year and that of heavy industry, 26.89 billion yuan, up 11.9 percent. Of the industrial output value of enterprises at and above the township level, the industrial output value from state-owned enterprises increased 7.4 percent, and that of collectively-owned enterprises, 8.3 percent. However, the contradictions between the industrial product [word indistinct] and the demand structure were very obvious and the amount of stockpiled low-grade consumer goods increased. Among the production of 55 products, 41 energy products, raw materials, and competitive products fulfilled or surpassed their plans among those products that failed to fulfill the plans, most of them were caused by the fact that their supply exceeded demands, and their quality was low. Thus, we cut production.

The output of major industrial products was listed as follows:

	1986	% increase over 1985
Cotton yarn	254,000 tons	9
Cloth	1.04 billion meters	4.3
Silk textiles	318.62 million meters	-0.8
Woolen piece goods	4.788 million meters	17.2
Cigarettes	783,000 cartons	15.7
Machine-made paper & paper board	561,000 tons	20.1
Chemical pharmaceuticals	12,000 tons	2.3
Bicycles	975,000	-2.2
Wrist watches	826,000	11.6
Television sets	231,000	-20.3
of which, color televisions	49,000	same as previous year
Household washing machines	13,000	-50.0
Electric fans	34,000	36.0
Radio sets	349,000	24.2
Movie films (35 mm)	100 million meters	2.2
Raw coal	62.838 million tons	4.6

	1986	% increase over 1985
Dressed coal	13.479 million tons	9.4
Crude oil	10.01 million tons	-3.0
Power generation	29.24 billion kwh	11.6
Pig iron	3.297 million tons	16.0
Steel	2.695 million tons	8.2
Rolled steel	2.186 million tons	10.9
Cement	11.063 million tons	17.4
Chemical fertilizer	975,000 tons	8.6
Agricultural chemicals	1,000 tons	17.3
Small tractors	64,000	-1.5
Cars	2,097	-74.4

Benefits scored in utilizing energy resources increased thanks to extensively popularizing the new technology of saving energy and to enhancing management. According to the investigation data of the 550 key industrial enterprises whose annual energetic consumption was more than 5,000 tons, the 1986 annual energetic consumption per 10,000-yuan output value was 12.45 tons, a 0.44-ton decrease over the 1985 figure. The volume of saved standard coal was 72.15 tons and the rate of saved energy was 3.41 percent.

Prosperous development of lateral economic associations was made. In 1986 the province established coordinative relationship with the 230 counties of 28 provinces, municipalities, and autonomous regions throughout the country; and joined or organized the 6 regional economic associations, including the "region" along the Bo Hai coastal areas and the "region" of Hebei and Liaoning Provinces and of Nei Monggol Autonomous Region. These regions established more than 1,600 economic associations joined by more than 5,000 enterprises at or above the county-district level and they signed agreements of 9,700 projects concerning economic and technological cooperations. Of these projects, more than 3,600 were implemented and funds introduced into the province in line with these projects reached 416 million yuan. Materials used for these coordinative projects were worth 1.03 billion yuan.

Economic results scored by the industrial enterprises somewhat increased. The 1986 per capita productivity scored by the state-owned industrial enterprises that conducted independent accounting reached 13,017 yuan, a 3.6-percent increase over the 1985 figure. There were 4 products in the province, which won the provincial level fine-quality prizes. The province increased 1,704 varieties of new products, of which, 1,400 varieties were put into production and might result in 1 billion yuan of new output value. In 1986 the industrial enterprises covered by the local budget realized 2.73 billion yuan of profits and taxes, a 3.6-percent increase over the 1985 figure. The fixed fund circulation period was 112 days, surpassing that of 1985 by 1 day. However, some production targets were not fulfilled satisfactorily and the cost of products comparable with the 1985 figure showed a 7.1-percent increase. Losses by the money-losing enterprises showed a 25.1-percent increase over the 1985 figure.

3. Investment in Fixed Assets and Construction Undertakings

The province's scope of investment in fixed assets was brought under control. In 1986 the province's urban and rural investment in fixed assets reached 13.13 billion yuan, an 18.7-percent increase over the 1985 figure, and showed a 30.6-percent decrease over the 1985 increase rate. The investment in fixed assets of the state-owned enterprises reached 7.63 billion yuan, a 21.7-percent increase over the 1985 figure; that of both urban and rural collectively-owned enterprises reached 1.84 yuan, a 3.9-percent increase over the 1985 figure; and that of both urban and rural private business reached 3.66 billion yuan. A 20.7-percent increase over the 1985 figure.

The investment structure was somewhat improved and continuous progress in the key construction projects was made. The 1986 investment in capital construction reached 3.92 billion yuan, a 13.4-percent increase over the 1985 figure. Of this investment, that in energy resources reached 1.17 billion yuan, a 33.3-percent increase over the 1985 figure; that in transportation and post and telecommunications reached 390 million yuan, an 11.9-percent increase over the 1985 figure; that in raw materials reached 1.03 billion yuan, a 48.9-percent increase over the 1985 figure; and that in education and scientific research reached 330 million yuan, a 13.7-percent increase over the 1985 figure. In line with the categories of usage, the investment in productive projects reached 2.38 billion yuan, a 30.1-percent increase over the 1985 figure and its proportion increased from 52.9 percent in 1985 to 60.6 percent in 1986; and that in nonproductive projects reached 1.54 billion yuan, a 5.2-percent decrease over the 1985 figure and its proportion decreased from 47.1 percent in 1985 to 39.4 percent in 1986. Of this nonproductive investment, that in housing projects reached 530 million yuan, a 23.4-percent decrease over the 1985 figure and its proportion decreased from 20 percent in 1985 to 13.5 percent in 1986. The province invested 1.63 billion yuan in the 34 large and middle-sized construction projects and fulfilled the investment plan by 98.6 percent. Of this investment, the province fulfilled the plan for building the seven projects, including the Douhe power plant and the Qinhuangdao harbor, by 99.7 percent. The five large and middle-sized construction projects covered by the 1986 state plan were completely built.

New achievements were made by the existing enterprises in technical renovations. In 1986 the state-owned units invested 2.49 billion yuan in technical renovations, a 44.4-percent increase over the 1985 figure. Of the investment in technical renovations, that in the projects of increasing production showed a 35.4-percent increase over the 1985 figure and that in the projects of saving energy resources, increasing variety of products, and upgrading product quality showed a 91.4-percent increase over the 1985 figure. Of the 2,026 projects of technical renovations in 1986, 1,157 were completely built and put into operation and the rate of construction accomplishment showed a 1.2-percent increase over the 1985 figure. These completely-built projects of technical renovations accelerated the pace of enterprises in making technical progress and reinforced the reserve strength of enterprises in achieving development.

New production capacities in capital construction and technological transformation of the state-owned units included: 2.2 million tons of iron ore mining capacity, 3.55 million tons of iron ore dressing (treating) capacity, 867,000 tons of coal, 99,000 tons of synthetic ammonia, 513,000 kw of power generating capacity, 289.6 km of power transmission lines of or above 110,000 volt, 561,000 KVA of transformer equipment, 1.062 million tons of cement, 2.776 million boxes of plate glass, 26,000 tons of machine-made paper and paperboard, 450,000 wrist watches, 320,000 television sets, 201 km of newly built highways, 4.29 million cubic meters of water reserve capacity, 271,000 square meters of commercial catering, and service shops, 117,000 enrollment quotas for universities, middle schools, and primary schools, 4,333 hospital beds, and 134,000 automatic telephone exchanges. The newly added fixed assets of the state-owned units reached 5.01 billion yuan, and 65.7 percent of construction projects were turned into fixed assets and became productive.

Marked results were achieved in restoring Tangshan. Over the past 10 years since the earthquake, the city has invested more than 4.3 billion yuan in restoration projects, and completed more than 18 million square meters of construction projects, of which, the floor space of residential houses came to 11.25 million square meters. At the same time, the city has repaired and built 342 km of urban roads and 2 million square meters of plant houses, and have completed and put into production 19 large and medium-sized projects and 461 commercial and service shops with a total floor space of 440,000 square meters. Through 10 years of hard work, a new modern Tangshan has been basically established.

The managerial structural reform of the construction industry and capital construction was carried out continually. Of the 6,680 projects undertaken by the state-owned construction and installation enterprises in the province, 77.1 percent introduced various forms of contract system, a 3.5-percent increase over the previous year. Of this, 18.5 percent of projects were undertaken through bidding, a 4.5 percent increase over the previous year. The total 1986 output value of the state-owned construction and installation enterprises in the province came to 1.53 billion yuan, a 15.6-percent increase over the previous year; and their per-capita productivity was 8,340 yuan, an 11.3-percent increase.

Headway was made in the geological work. In 1986 the drilling footage by geological departments totaled 95,000 meters, fulfilling the annual plan. The state targets for the newly verified deposits of iron ore and jade-like stone were fulfilled as well. In addition, the province submitted reports to the state on the newly added deposits of plaster stone, marble, and solvent limestone which were not covered by the plan.

4. Transport, Post, and Telecommunications

Transport departments further carried out reforms, tapped potentials, and expanded the transport and passenger and cargo handling capacities. The 1986 volume of cargo handled by the Shijiazhuang Railway Subbureau was 47.24 billion ton-km, a 5.8-percent increase over the previous year; and the volume of passengers handled by it was 11.91 billion person-km, a 7.6-percent increase over

the previous year. The volume of cargo handled by the Qinhuangdao Port was 48.725 million tons, a 10.3-percent increase over the previous year. The volume of petroleum carried through pipes of the North China Petroleum Pipe Bureau reached 21.325 million tons, a 6.5-percent decrease from the previous year. The volume of passengers carried by planes of the Hebei Civil Aviation Bureau was 2,679 persons, and the volume of cargo carried was 62.3 tons. The volume of cargo handled by various means of transportation of the local transport departments was 6.16 billion ton-km, a 16.1-percent increase over the previous year. Of this, the volume of cargo handled by highways was 2.47 billion ton-km, a 6.3-percent increase over the previous year; and the volume of cargo handled by ships was 3.53 billion ton-km, a 24.4-percent increase. The volume of passengers handled by various means of transportation was 5.63 billion person-km, an 8.5-percent increase over the previous year; of which, the volume of passengers handled by highways was 5.59 billion person-km, an 8.5-percent increase over the previous year.

New progress was made in post and telecommunications. Business transactions throughout the province in 1986 totaled 140 million yuan, a 9.8-percent increase over the previous year. Of this, the volume of letters dropped by 1.1 percent; telegrams increased by 2 percent; papers, periodicals, and magazines dropped by 11.6 percent; and long-distance telephone calls increased by 43.8 percent. The year-end number of telephone users in urban areas amounted to 112,000, a 12.7-percent increase over the previous year.

5. Commerce and Commodity Price

Urban and rural markets were brisk, the channels for commodity circulation became more clear every day, and the supply of most commodities was normal. The total volume of commodity purchases of state commercial units and cooperatives reached 14.24 million yuan, a 5.5-percent increase over the previous year. Commodities distributed from outside the province totaled 5 billion yuan, and those distributed to outside the province 2.16 billion yuan, the net of the commodities distributed from outside the province being 2.84 billion yuan. The total volume of commodity retail sales of the whole year was 23.05 billion yuan, a 12.8-percent increase over the previous year. If the rise in prices was factored in, the actual increase was 7.2 percent. Among the total retail sales, the value of consumer goods was 19.23 billion yuan, up 13.3 percent, including a 13.8-percent increase in consumer goods sold to residents, and a 9.0-percent increase to institutions. The retail sales of the means of agricultural production was 3.82 billion yuan, up 10.1 percent. The retail sales of the various sectors of the economy showed a substantial growth over the previous year. Of them, the retail sales in the state-owned sector grew by 11.0 percent, those in the collective sector by 5.1 percent, those in the individual sector by 26.4 percent, and those of the commodities sold by peasants to nonagricultural residents by 39.0 percent.

Retail sales of various kinds of consumer goods grew in an all-round manner. Food increased by 14 percent, clothes 7 percent, and other necessities 16 percent. Of consumer goods, the sales of high-priced quality durable consumer goods rose more rapidly, the growth of tape recorders being 8.7 percent, that

of household refrigerators 19.4 percent, that of electric fans 15.4 percent, and that of washing machines 21.9 percent.

Reform of commercial systems continued. Among the 5,302 small enterprises affiliated to commercial departments throughout the province, 4,025, or 75.9 percent, carried out reforms of various forms. Of them, enterprises which exercised the system of state ownership and collective operation totaled 2,400, those which changed their ownership from state-owned to collective totaled 338, and those which operated under the contract or leasing systems totaled 1,235. More than 60 percent of the 1,192 commercial enterprises of a comparatively large scale enforced the manager responsibility system, or the system under which managers were responsible for fulfilling certain goals within their tenure.

Market prices remained stable with a tendency of rising. Due to the enlargement of the proportion of the farm and sideline products purchased at negotiated prices, the 1986 index of purchasing prices rose by 5.1 percent averagely over the previous year. In the second half of the year, the prices of some commodities were readjusted to widen the price difference in different qualities and seasons. As a result, the general level of the retail prices of the whole year showed an average of 5.2 percent in urban areas, and 4.8 percent in the countryside. Prices of foodstuffs went up by 6.2 percent over the previous year, of which meat, poultry, and eggs rose by 7.3 percent, aquatic products 7.7 percent, fresh vegetables 10.4 percent, and fresh fruits 14.2 percent. The cost of clothes increased by 3.6 percent, articles of everyday use went up by 5.5 percent, books, newspapers, and magazines by 13.7 percent, and fuel by 4.8 percent.

The urban and rural general cost of living index grew by 5.7 percent. The urban cost of living index rose by 6.0 percent with service costs rising by 9.2 percent. The rural cost of living index rose by 5.4 percent with service costs rising by 11.2 percent.

The purchases and sales of the markets of means of production were thriving. The total volume of the purchases of the supplies departments throughout the province increased by 15.0 percent, and the total volume of their sales by 15.4 percent. In the net sales of the major means of production, coal increased by 2.7 percent, rolled steel 10.7 percent, cement 16.3 percent, timber 14.2 percent, and motor vehicles 15.1 percent, and plate glass declined by 28.9 percent.

6. Foreign Economic Relations and Tourism

Foreign economic exchanges further developed. The province's total purchasing volume of export commodities was 3.3 billion yuan, a 47.8-percent increase over the previous year. The total value of export commodities was \$1.05 billion, a drop of 18.9 percent from the previous year. When excluding the 68.1-percent decline of petroleum export resulting from the influence of the international petroleum prices, exports of other export commodities grew by 32.6 percent. In 1986, 31 contracts on foreign capital utilization with the

transactions totaling \$17.506 million were signed. Qinhuangdao, an opened city, signed 7 contracts or agreements on foreign capital utilization, with the transactions totaling \$12.17 million. The actual amount of foreign capital it used in the year was \$4.15 million, 1.9 times greater than the previous year.

Our province rapidly developed international tourism. In 1986 our province received a total of 50,000 people from more than 30 countries and regions, who came to the province on tours, visits, sightseeing, and all kinds of exchanges, an increase of 45.8 percent over the previous year. Among them 36,000 were foreigners, an increase of 43.2 percent and the rest were Overseas Chinese and compatriots from Hong Kong and Macao. The total amount of revenues from tourism during the year reached 7.618 million yuan (in terms of foreign exchange coupons) an increase of 87.9 percent over the previous year.

7. Finance, Banking, and Insurance

The province's total financial revenues from the localities came to 5.12 billion yuan. If calculated in terms of comparable standards, the increase was 5.3 percent over the previous year. The financial expenditures came to 5.38 billion yuan, up 19.3 percent over the previous year. If calculated in line with the present financial system, we realized a balance between the local revenues and expenditures.

The reform of the banking system became more active. Banks at all levels throughout the province extensively collected funds through various channels and forms of businesses. All kinds of saving deposits and loans showed a marked increase, which provided great support to production and construction. During the year, monetary bonds worth 89.52 million yuan were issued. We approved the issuance of 290 million yuan worth of enterprise bonds, and absorbed 730 million yuan of funds, which showed an increase of 150 million yuan over the previous year. The urban credit cooperatives absorbed 630 million yuan of funds, an increase of 390 million yuan over the previous year. At the same time, a number of short-term money markets among banks were established in the cities and a total of 3.13 billion yuan was lent out to other provinces, regions, prefectures, cities, and departments. At the end of the year, the total savings deposits of the urban and rural residents came to 14.6 billion yuan, up 41.9 percent over the previous year. Of this, 7.62 billion yuan came from cities and towns, an increase of 46.3 percent, and 6.98 billion yuan came from the rural areas, an increase of 37.4 percent.

Gratifying achievements were made in insurance business. In 1986 the province's domestic insurance business varieties increased from 46 in the previous year to 54. A total of 45.97 billion yuan of property were insured. The premium totaled 190 million yuan, an increase of 68 percent over the previous year, and the indemnity totaled some \$100 million. A total of \$4.478 million in premiums came from foreign businesses, an increase of 40 percent over the previous year. We paid a total of \$759,000 in indemnities. More than 100,000 persons joined the pension and insurance programs throughout the province.

Science, Technology, Education, Culture, Public Health and Sports

gradually developed the scientific and technological structural reform. Science and technology played a more obvious role in economic construction. The province as a whole succeeded in more than 1,200 scientific and technological research achievements, of which 715 were major scientific and technological findings, and 15 attended or approached the international level. The province applied for patent for its 410 inventions and creations, of which 71 received state patent rights. In the course of applying the "spark plan," we developed 1,351 projects, and earned 490 million yuan within the year. The local science departments actively offered plans for economic reform, conducted consulting services, popularized social science knowledge, and scored certain success. The scientific and technological ranks expanded continually. At the end of the year, the local state-owned units had a total of 100,000 technical personnel in the field of social science, and increase of 10,000 persons over the previous year. There were a total of 284,000 social science personnel, an increase of 18,000 persons.

National undertakings continued to grow and new progress was made in educational reform. In 1986 the province's institutions of higher learning added readjusted 32 specialized courses with a total student body of 65,000 persons, an increase of 7,000 students over the previous year. The total number of postgraduates came to 759, an increase of 232 over the previous year. The total student body of secondary specialized schools came to 83,000 persons, an increase of 10,000 persons over the previous year. The number of specialized courses set up by agricultural and vocational middle schools increased from 57 in the previous year to 83 with a student body of 140,000 persons, an increase of 4,000 persons. The ratio of students in these schools to the ratio of students of senior middle schools rose from 41.2 percent in the previous year to 41.5 percent. The total number of students in ordinary middle schools came to 2.469 million, an increase of 15,000 persons over the previous year. The province's higher educational institutes for adults and secondary specialized schools had a total of 130,000 students, a drop of 2,000 persons. There were 6.014 million primary school students and the attendance rate of the school-age children was 98.2 percent. The province as a whole had a total of 943,000 kindergarten students, an increase of 204,000 persons over the previous year.

The development of undertakings of culture, journalism, radio and television broadcasting, and publication was made. In 1986 the province produced 18 television dramas with 31 features and 178 new films of various kinds. The province had 11,000 projecting units of various films, 168 literary and art studios, 171 cultural centers, 18 mass artistic halls, 106 public libraries, 10 museums, 304 provincial level relic maintenance units, and 200 archives. The province had 44 radio broadcasting stations, 15 television broadcasting stations, 408 stations in charge of rerunning television programs, and 15 stations with more than 1,000 watt of transmission power in charge of transmitting or rerunning television programs. The rate of the radio program coverage was 94 percent and that of the television program coverage was 81

percent. (Footnote 6) (The rates in this regard were compiled in line with the mixed broadcasting programs transmitted by the stations at central, provincial, prefectural, and county levels.) In 1986 the province published 550 million copies of newspapers, a 22.5-percent increase over the 1985 figure, and 180 million volumes of various periodicals and books, a 28.6-percent decrease over the 1985 figure.

Continuous development in public health undertakings was made. According to statistics compiled at the end of 1986, the province had 125,000 hospital beds, a 40,000-bed increase over the 1985 figure, and 125,000 full-time public health personnel. Of these personnel, the number of doctors was 71,000, a 600-person decrease over the 1985 figures; and that of nurses and medical technicians was 26,000, a 1,000-person increase over the 1985 figure. The work of controlling endemic and frequent diseases and taking care of children and women was further enhanced.

New achievements in physical culture and sports were made. In 1986 the province won 27 gold medals in both international and domestic sports games, 41 silver medals, and 27 bronze medals. The province held 2,364 athletic meetings in the localities at or above the county level, had 30.17 million sportsmen reach the "standard" established by the state for training, and achieved extensive development in mass sports activities.

9. Living Standards

Along with the development of production, the income of urban and rural people increased, and their living standards further improved. A sample survey of urban and rural families showed that the per-capita income for living expenses in 1986 was 766.5 yuan, a 21.5-percent increase over the previous year; and the per-capita expenditure on living expenses was 717.7 yuan, an 18.5-percent increase over 1985. If price rises are factored in, the real per-capita income and expenditure rose by 14.6 percent and 11.8 percent respectively. The per-capita net income of the rural people was 407.6 yuan, a 5.8-percent increase over the previous year; and the per-capita expenditure on living expenses of the rural people was 333.0 yuan, a 12.0-percent increase over the previous year. If price rises are factored in, the real per-capita income and expenditure rose by 0.4 percent and 6.3 percent respectively. Of the expenditures on consumption of the urban and rural people, the expenditures of the urban residents rose most rapidly, showing an increase of 22.6 percent. Expenditures on housing of the rural residents increased by 22.3 percent. Housing for both urban and rural dwellers were improved further. The per-capita housing area for urban dwellers was 8.1 square meters, 1.0 square meters more than the previous year; and that for rural dwellers, 14.8 square meters, 0.8 square meters more than the previous year.

In 1986 the province gave jobs to 247,000 urban residents. At the end of 1986 the province had 5.812 million employees, a 4.7-percent increase over the previous year. The province's wage-bill in 1986 totaled 7.17 billion yuan (including the 260 million yuan of meat price subsidy), a 23.5-percent increase over the previous year. The average annual cash wage for workers

and staff members was 1,268 yuan, an 18.0-percent increase over the previous year. If price rises are factored in, the real increase rate was 11.3 percent.

New progress was achieved in supporting underdeveloped areas, and social welfare facilities. In 1986, the social welfare establishments totaled 2,521 throughout the province, accommodating 28,000 people. Rural collectives took care of 62,000 people: elderly, disabled, or orphaned who had no other means of support. A number of poverty-stricken townships, villages, and households had their basic needs in food and clothing met initially, and the outlook of poor areas changed.

10. Population

The natural population growth increased by a fairly large margin. According to a sample survey of the population changes of 34 counties (districts), the province's 1986 birth rate was 20.42 per thousand, a rise of 3.38 per thousand over the previous year, and its mortality rate was 6.12 per thousand, a rise of 0.63 per thousand. The natural population growth rate increased from 11.55 per thousand in the previous year to 14.30 per thousand. Calculated according to this, the province had a population of 56.27 million by the end of 1986, an increase of 795,000 people, or 1.4 percent, over the 1985 year-end figure. Leading persons at all levels should attach importance to population control.

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CSO: 4006/493

PROVINCIAL AFFAIRS

HARBIN PRIVATE BUSINESSES INCREASINGLY IMPORTANT

OW251610 Beijing XINHUA in English 1320 GMT 25 Mar 87

[Text] Harbin, 25 Mar (XINHUA)--The individual business sector of Harbin, capital Heilongjiang Province, has become an important supplement to the city's economic development.

Nearly 100,000 self-employed people in the city have a total registered capital of 108 million yuan, almost 10 times more than in 1983, according to proceedings of a meeting to reward outstanding individual businessmen reaching XINHUA today.

The city government has improved supervision and services for individual businesses. They launched a competition to find out which offered the best services while observing state regulations.

Most of the city's self-employed are engaged in commerce, restaurants, repair services, transport and house repairs. There are also individually-owned research institutions, schools and clinics in the city.

The total retail sales volume of individual businesses reached 589 million yuan last year--for 12 percent of the city's total.

Moreover, this sector handed over to the government 29 million yuan in taxes from 1984 to 1986, the meeting was told. In the past 3 years, more than 20,000 young people waiting for their first jobs in the city center have set up their own businesses.

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CSO: 4020/155

PROVINCIAL AFFAIRS

HEILONGJIANG HOLDS FORUM ON TRAINING OF LEADING CADRES

SK300126 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 27 Mar 87

[Text] The provincial Economic and Planning Commissions and the Organization Department of the provincial party committee recently cosponsored a forum on job training of leading cadres of large and medium-sized enterprises and called for efforts to lose no time to shift the emphasis of cadre education to job training. Large and medium-sized enterprises should take the lead in providing job training.

In line with the prescribed arrangements, during the Seventh 5-Year Plan period, 219 large and medium-sized enterprises throughout the province will train 1,000 or so plant directors, deputy directors, managers, secretaries of party committees, chief engineers, chief economic managers, and chief accountants. The training time will last for 4 and 1/2 months.

Six universities and institutions, including the Harbin Engineering University, the party school of the provincial party committee, and the Industrial and Commercial Management Cadre Institute, will be responsible for the training task. These universities and institutions will conduct teaching activities in line with the unified curriculum and the teaching plans, outlines, and materials prescribed by the State Economic Commission. The first group of 35 party committee secretaries of large and medium-sized enterprises completed their job training course on 7 March.

In the second half of this year, a job-training course for party committee secretariats, chief engineers, chief economic managers, and chief accountants will be held.

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CSO: 4006/500

PROVINCIAL AFFAIRS

GOVERNOR TALKS ON HENAN'S ECONOMIC DEVELOPMENT

OW080401 Beijing XINHUA Domestic Service in Chinese 0224 GMT 7 Apr 87

[Newsletter by Xinhua reporter Ge Daxing: "Long-term Stability and the Development of Zhongzhou"--NPC Deputy He Zhukang on Henan's Economic Development]

[Excerpts] Beijing, 7 Apr (XINHUA)--Henan is historically known as Zhongzhou. The racing Huang He nurtured an ancient Chinese culture in this area. Today, however, Henan is one of the relatively poor and backward provinces of China.

"Despite its poverty, Henan has great potential, which is to our advantage," said NPC Deputy and Henan Governor He Zhukang when briefing reporters on Henan's current situation at the Fifth Session of the Sixth NPC.

He Zhukang studied at the Moscow Institute of Economics in the 1950's. and assumed the post of governor in 1983. As a veteran economist with much experience in the ways of leadership, he showed a strong, favorable response to Premier Zhao Ziyang's government work report at the NPC session. He urged Henan, which became impoverished through its closed state and conservative and hasty approach, to uphold the principle of seeking long-term and steady development as a necessary means of invigorating the economy. On the one hand, it should further open up to other parts of China and to foreign countries, in an attempt to attract more business to develop Henan's resources. On the other hand, it should straighten out internal relationships and concentrate on accomplishing a number of important tasks, in order to lay a sound foundation for sustained economic development.

Topping his economic development agenda was an appeal to hasten the building of a number of water conservancy projects and production bases for such commodities as wheat, cotton, and sesame for the purpose of steadying agriculture, which is the basis of economic development. At the same time, efforts were urged to expedite technical transformation of existing enterprises, and promote industrial development through technical and equipment upgrading. Moreover, attention was called to the building of key projects, with emphasis on developing the economic potential of Henan and even of the whole country.

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CSO: 4006/500

PROVINCIAL AFFAIRS

HENAN: CITY DRAWS UP COMPREHENSIVE STRUCTURAL REFORM PLAN

HK040525 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 3 Apr 87

[Excerpts] With the approval of the provincial party committee and government, Anyang City's scheme for comprehensive structural reform was officially announced as in effect on 2 April. After the reform, the number of city-level party and government organs will be reduced by 47 percent and their staff by about 40 percent.

At the beginning of last year, Anyang City was designated one of the country's 16 pilot projects for structural reforms in medium-sized cities. In the past year, based on the guiding idea of changing the work functions, reducing the number of management tiers, streamlining personnel, improving work efficiency, and harmonizing various relationships, the city has carried out deep-going investigation and study and conducted repeated discussion and verification. It has abolished 15 specialized departments, commissions, and bureaus and companies dealing with industry, commerce, education, and abolished or amalgamated 29 independent administrative organs below bureau-level, together with over 70 temporary organs. The city party committee has abolished work organs that were counterparts of those in the city government. The government has expanded the functions of the economics commission and has established commissions for commerce, for foreign economic relations and trade, and for education, and a standards and measures bureau. The farm machinery management and service company has been changed into an enterprise-style economic entity.

Anyang City has accomplished six changes in carrying out this structural reform: From the traditional management setup of product economy to the management setup of planned commodity economy; from the previous management setup with many tiers and cardinal links to single-tier indirect management with few cardinal links; from the previous lack of distinction between the powers and responsibilities of the government and the enterprises to basic separation of those powers and responsibilities; from previous lack of distinction between the powers and responsibilities of the party and government to rational division of work between them; from the previous highly centralized administrative management setup to management with separate levels and powers between the city and the districts; and from the previously highly centralized and decentralized management of cadres to management at different tiers. This has basically solved the contradictions between the traditional structural reform and the current commodity economy operational mechanism, and overcome various defects in the existing management system. Leading comrades of the provincial party committee and government Zhang Zhigang, Yao Minxue, and Hu Tiyun attended an Anyang City mobilization rally for structural reform. Comrade Hu Tiyun made a speech.

PROVINCIAL AFFAIRS

HUBEI RADIO URGES PRODUCTION-ECONOMY DRIVE

HK280317 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 27 Mar 87

[Station commentary: "Carry Out in Depth the Drive To Increase Production and Practice Economy"]

[Excerpts] The central authorities have called for compressing the overheated atmosphere. We interpret this to mean correcting ideas and methods of competing in high speed that are divorced from practical possibilities, compressing the excessive scale of investment, cutting nonproductive expenditures, and depressing the appetite for high consumption. Through launching the drive to increase production and practice economy and increase revenue and cut spending, we should concentrate the limited finances and materials for the construction of key projects in energy, communications, raw materials, and so on. By so doing we can boost the reserve strength for economic development.

Compressing the overheated atmosphere is by no means a negative way of dealing with economic construction. On the contrary, while compressing the overheated atmosphere, we should continue to do hard and practical work and strive to attain those targets that can indeed be attained so long as the effort is made.

In the drive to increase production and practice economy, we should vigorously display the spirit of arduous struggle and carry forward the spirit of saving every cent, every drop of water, every unit of electricity, and so on. We should establish a social mood that regards increasing production and practicing economy as glorious, and extravagance and waste as shameful.

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CSO: 4006/500

PROVINCIAL AFFAIRS

HUBEI ENTERPRISES BUY RAW MATERIALS IN MARKET

OW032036 Beijing XINHUA in English 1256 GMT 3 Apr 87

[Text] Shijiazhuang, 3 Apr (XINHUA)--Enterprises in Shijiazhuang, capital city of Hebei Province, are now able to get their steel, timber, iron, soda, non-ferrous metals, chemical fibers and other goods from a raw materials market.

The market was set up in August 1984 to cope with the shortage of materials needed for industrial production.

It provides a unified price system and free choice of goods covering 16 categories. In the past, most raw materials were allocated by the government and were not allowed to be sold on the market.

For fear of running short of raw materials, many enterprises used to overstock steel, cement, timber, and other kinds of goods.

Now many enterprises began to sell their surplus raw materials on the market and buy what they needed or to invest their money elsewhere.

In 1986, only 47 percent of the steel needed by the city and 60 percent of its timber were allocated by the state authorities under a mandatory plan. And the city got merely one-thousandth of the amount of galvanized iron it needed. Some enterprises even received raw materials which they had no use for.

For example, a furniture factory used to be supplied with angle or plate steel instead of the steel wire it needed to produce spring mattresses. The stockpiling of raw materials caused great economic losses to the factory. But since late 1984 it has bought the wire from the market instead of from the government.

According to a rough calculation, the city used to have 50,000 tons of steel stored in warehouses every year. Now the stockpiling has been reduced drastically, with most of it being put back into market circulation.

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CSO: 4020/155

PROVINCIAL AFFAIRS

COOPERATION ACCELERATES HUBEI'S ECONOMIC GROWTH

OW280354 Beijing XINHUA in English 0220 GMT 28 Mar 87

[Text] Wuhan, 28 Mar (XINHUA)--Intra-provincial economic and technological cooperation has accelerated economic growth in central China's Hubei Province, according to a provincial official in charge.

"In 1986, cooperative projects within Hubei added 1.7 billion yuan (460 million U.S. dollars) to the province's output value," the official said.

"To date, more than 5,000 of Hubei's enterprises are involved in economic and technological cooperation," the official said, adding 10,000 cooperative contracts have been signed, with 8,500 being implemented, involving investments of 520 million yuan (140 million U.S. dollars).

Hubei is also opening its doors to economic and technological cooperation with other parts of the country, and so far, 11 inter-regional economic cooperatives have been formed.

According to the departments concerned, Hubei has set up more than 170 enterprise groups, of which the Yangtze power company, founded a year ago, now offers research, design, construction, manufacturing and equipment installation. According to a company manager, "Since the company's formation, it has contracted projects worth 170 million yuan (46 million U.S. dollars)."

The manager also said, "The company is currently negotiating with seven large domestic power plants, and is bidding on construction projects abroad."

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CS0: 4020/155

PROVINCIAL AFFAIRS

HUBEI URGES DEVELOPING RURAL INDUSTRIES

HK280515 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 27 Mar 87

[Excerpt] Vice Governor Duan Yongkang, speaking at a provincial conference on township and town enterprises which opened today, demanded that all localities have a clear picture of the tasks, brace their spirits, and go all-out to speed up the development of township and town enterprises.

He said: These enterprises have maintained a good situation of sustained and steady development in recent years. Last year their total output value was 14.67 billion yuan and their profits 1.34 billion yuan. These figures were respectively 26 percent and 14.8 percent up to the 1985 performance. The development of these enterprises has played a tremendously stimulating role in invigorating Hubei's rural economy and indeed its entire economy

The provincial party committee and government have decided to regard the development of township and town enterprises as a strategy in the province's national economy development. They have proposed that these enterprises should deepen the reforms this year and launch an extensive drive to increase production and practice economy and increase revenue and economize expenditure. Under the premise of improving economy results, their total output value should be 19 billion yuan.

Duan Yongkang said: There is a problem of understanding that requires unifying in developing township and town enterprises, and that is, how should we view the relationship between compressing the atmosphere and developing township and town enterprises? In proposing that the atmosphere be compressed this year, the central authorities went to correct the trend of blind pursuit of high speed divorced from actual possibilities, to cut the excessive scale of investment, and cut the growing nonproductive expenditures. The township and town enterprises, which use their own capital and their own natural resources in carrying out construction, are not included in the cuts.

Duan Yongkang pointed out that township and town enterprises in Hubei have only just made a start. Their foundation was weak and their capacity for self-accumulation and self-development is poor. This requires that we handle properly the relationship between current and long-term interests. In particular, the economic lever departments should guide and encourage these enterprises to turn out their vision inwards, improve their quality, and strengthen their self-development capacity.

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CSO: 4006/500

PROVINCIAL AFFAIRS

HUNAN PROVINCE SETS UP NEW STEEL MARKETS

HK070821 Changsha Hunan Pfovincial Service in Mandarin 2300 GMT 6 Apr 87

[Text] (Zhang Deyuan), director of the provincial materials supply bureau, announced at yesterday's [6 April] press conference that with the approval of the State Council's leading group for the rolled steel market, rolled steel markets have been set up for Hunan Province, and for Changsha and Hengyan cities. When the third provincial commodities fair opens in mid-April this year, there will be transactions of the following commodities in short supply; 100,000 tons of rolled steel, 300,000 tons of cement; over 10,000 tons of nonferrous metals, soda ash, and caustic soda; 1,000 vehicles; petroleum; and conducting wires.

Comrade (Zhang Deyuan) said: By the end of 1986, our province had 560,000 tons of rolled steel in stock. According to a calculation based on the fixed turnover time of goods kept in stock, by the end of 1986, our province's overstocked rolled steel amounted to over 100,000 tons, thus tying up funds totaling over 100 million yuan. Clearing circulation channels for stockpiled commodities is an important measure for promoting the drive to increase production and practice economy and increase revenue and reduce expenditure. The three newly established roll steel markets in our province are networks that rely on large and medium-sized cities, link up all parts of the province, and create unblocked circulation channels for rolled steel. To encourage the marketing of major commodities in short supply, the provincial people's government has also offered tax reductions for the transactions of the following commodities at the provincial transaction center for commodities: rolled steel, pig iron, copper, aluminium, gold, lead, cement, caustic soda, and soda ash.

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CSO: 4006/500

PROVINCIAL AFFAIRS

HUNAN GOVERNMENT TO IMPROVE GOODS SUPPLY

HK060243 Changsha Hunan Provincial Service in Mandarin 1100 GMT 2 Apr 87

[Text] In a bid to lure several means of production in short supply marketed by manufacturing enterprises themselves and the surplus materials in society to the market, the provincial government formulated provisional regulations in late March on launching a pilot project at the provincial materials trade center. Under this pilot project, the center will be allowed to expand its business operating range and to trade petroleum, asphalt, building materials, hardware, communications, and electrical goods that are in short supply in the province, so as to alleviate the shortage of these commodities on market. After fulfilling the state's production plan, manufacturing enterprises may put the steel, iron, copper, aluminium, lead, zinc, caustic soda, and soda ash in excess of the targets set in the plan on the market of the provincial trade center and sell them at market prices to users and materials enterprises in the province. While ensuring the fulfillment of the state's production plan, all enterprises may put the steel, iron, copper, aluminium, lead, zinc, caustic soda, and soda ash that had been stocked for more than 3 months by the end of 1986 on the market of the provincial trade center and sell them at market prices.

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CSO: 4006/500

PROVINCIAL AFFAIRS

JIANGXI GOVERNOR DISCUSSES ECONOMY AT NPC PANEL

OW311015 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 30 Mar 87

[Excerpts] According to JIANGXI RIBAO, Governor Wu Guanzheng, who is a deputy to the current NPC session, spoke at a panel discussion on Premier Zhao Ziyang's government work report on the morning of 28 March. He said: The people of the whole province should be mobilized in the unified struggle to achieve greater progress in Jiangxi's economic and social development in the coming year.

Wu Guanzhang first discussed the importance of properly handling relationships in the following three aspects of economic construction. First is that between economic construction and economic structural reform, whose ultimate goal is to facilitate economic construction. Reforms aims at perfecting the socialist economy system and bringing into full play the superiority of socialism. Second is the relationship between accumulation and consumption. Since the 3d Plenary Session of the 11th CPC Central Committee, the party and government have adopted a series of measures to accelerate improvement in the people's livelihood and rectify the previous practice of overemphasizing accumulation, which slighting consumption. These measures are entirely necessary and correct. Consumption in everyday life should be gradually increased, along with the development of production. Third is the relationship between speed and efficiency. In view of Jiangxi's weak foundations and great potential, our economic development should be kept at a fixed pace and accelerated efficiently in order to build up our economic strength and improve the people's living standards.

Wu Guanzhang said: In increasing total social supply, it is first necessary to supply more farm products, especially grain, to the people. Jiangxi has a fairly good agricultural foundation and advantages in grain production. Further improvement of our agricultural foundation is of vital importance to the province's economic development.

On the deep-going drive to increase production and practice economy, increase revenue and reduce expenditure, Wu Guanzheng said: This is the fundamental way to accumulate funds for socialist construction and solve financial and economic problems, as well as an effective way to build socialist spiritual civilization.

Wu Guanzheng also stressed the important of safeguarding stability and unity, strengthening ideological and political work, and mobilizing all positive

tors in building the two civilizations in Jiangxi. He said: The central task of current ideological and political work is to carry out in-depth and extensive education in upholding the four cardinal principles and combating bourgeois liberalization, while stepping up the building of socialist spiritual civilization, thereby consolidating political stability and unity, and ensuring the wholesome development of construction, reform, and opening to the outside world.

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PROVINCIAL AFFAIRS

LIAONING'S ZHU JIAZHEN ON ECONOMIC DEVELOPMENT

SK050707 Shenyang LIAONING RIBAO in Chinese 14 Mar 87 p 2

[Summary of report delivered by Liaoning Vice Governor Zhu Jiazhen at the Sixth Session of the Sixth Liaoning Provincial People's Congress on 4 March: "Develop the Excellent Situation and Fulfill the Heavy Tasks"]

[Text] On 4 March, entrusted by the provincial people's government, Zhu Jiazhen, vice governor and chairman of the provincial Planned Economic Commission, gave a report to the Sixth Session of the Sixth Provincial People's Congress on the province's fulfillment of the 1986 economic and social development plan and on arrangements for the 1987 plan. He also gave explanations on the draft Seventh 5-Year Plan.

With regard to the fulfillment of the 1986 plan, he said: The year 1986 was the first year of implementing the Seventh 5-Year Plan as well as a year of great success in the province's economic and social development. Over the past year, we have conscientiously implemented the general principle of "invigorating the domestic economy and opening to the outside world"; properly handled, strengthened, and improved relations between macroeconomic control and microeconomic invigoration; incessantly studied and solved new situations and problems that have emerged in economic development; adopted a series of policies and measures to promote reforms; fulfilled in a better manner the 1986 economic and social development plan adopted at the Fifth Session of the Sixth Provincial People's Congress; and succeeded in developing the province's entire economy along the targets set in the Seventh 5-Year Plan in a sustained, steady, and coordinated manner. Our total industrial and agricultural output value reached 88.79 billion yuan; the national income reached 48 billion yuan; and the gross national product was valued at 56.7 billion yuan; an increase of 8.9 percent, 8 percent, and 8 percent respectively over the previous year. We also made new progress in scientific, technological, cultural, educational, and public health undertakings and in building the spiritual civilization. The successful fulfillment of the 1986 plan helped further consolidate and develop the excellent situation achieved during the Sixth 5-Year Plan period and marked a good beginning of realizing the Seventh 5-Year Plan.

Zhu Jiazhen expounded on the implementation of last year's plan in nine respects: First, under the guidance of the principles of "consolidation, assimilation, supplement, and upgrading," we made new progress in urban

economic structural reform; second, industrial production continued to grow in a sustained, steady, and coordinated manner; third, we won victory in antiflood and relief work and succeeded in continuously developing the rural commodity economy; fourth, we rapidly advanced key construction projects and made a big stride in technological transformation; fifth, the urban and rural markets were brisk and most of the commodities were in normal supply; sixth, we witnessed new progress in foreign trade, utilization of foreign capital, and import of new technology; seventh, local financial revenues increased continuously, and the banking situation was fairly good; eighth, new achievements were made in building spiritual civilization; and ninth, the living standards of the urban and rural people improved.

Zhu Jiazhen said: The above situations show that the measures on continuously strengthening and improving macroeconomic control and the reform policy of "consolidation, assimilation, supplement, and upgrading" which the central authorities adopted are correct. At present, the rate of economic development is accelerating steadily. However, unstable factors still exist in our province's economic development. The main manifestations are that the number of stockpiled industrial goods continued to grow; losses and waste are serious; the targets for economic results have not been completely fulfilled; and the development of collective enterprises is quite slow. This year, we should realistically solve these problems.

With regard to his opinions of the arrangements for the 1987 plan, he said: the year 1987 is the second year of implementing the Seventh 5-Year Plan. According to our province's arrangements for economic and social development during the Seventh 5-Year Plan period, this year, our tasks, including the tasks of reform, opening to the outside world, economic construction and social development, will be very arduous and complicated. We should concentrate our efforts on grasping two major matters well in line with the requirements of the party Central Committee and the State Council: in the political and ideological spheres, we should resolutely oppose bourgeois liberalism; and in the economic sphere, we should unfold the campaign on increasing production, practicing economy, and increasing production and reducing expenditures. We should unswervingly uphold the four cardinal principles, persist in reform, opening to the outside world, and invigorating the economy; promote the spirit of hard struggle and building the country through thrift; extensively conduct a province-wide campaign on increasing production and practicing economy and on increasing revenues and reducing expenditures with "tapping potential, making improvements, opposing waste, and increasing economic results" as the main tasks; conscientiously implement the province's basic guidelines and main fighting objectives for economic and social development during the Seventh 5-Year Plan period: earnestly grasp the four major points of agricultural and technological transformation, energy and transportation, science and technology, and education and raise their economic results; and strengthen the export capacity and the ability to earn foreign exchange. We should achieve new breakthroughs in invigorating enterprises, particularly large and medium-sized enterprises, and accelerate the opening of Liaodong Peninsula to the outside world so as to stimulate the development of the "eastern, western, and northern parts of Liaoning" and to comprehensively fulfill this year's state plans. While building the material civilization, we should also build the spiritual

civilization, further consolidate and develop the excellent situation of stability and unity, and greet the successful convocation of the 13th National Party Congress with new achievements.

In line with the guidelines of the national conference of governors and our province's arrangements of the Seventh 5-Year Plan, and the fulfillment of the 1986 plan, this year's major targets in the economic plan are listed as follows: The total industrial and agricultural output value should be increased by 6.5 percent and reach 94.55 billion yuan. The gross national product should be increased by 6.7 percent and reach 60.5 billion yuan. The national income should be increased by 6.7 percent and reach 51.2 billion yuan. These targets were set after comprehensively analyzing the current economic situation, which can be fulfilled through our efforts. He touched on issues in five fields: First, we should persist in taking agriculture as the foundation and actively develop grain production and the rural commodity economy; second, we should deeply launch a campaign on increasing production and practicing economy, comprehensively raise economic results, and strive to achieve a basic balance between revenues and expenditures; third, we should intensify our ability to increase foreign exchange through exports and speed up the pace of opening Liaodong Peninsula and the coastal areas to the outside world; fourth, we should continue to improve the people's livelihood along with the growth of production and economic results; and sixth, we should build the socialist spiritual civilization in a down-to-earth manner.

Zhu Jiazhen also gave an explanation on some points concerning the draft Seventh 5-Year Plan.

At the end of his report, he said: In 1987 our province will witness a very good situation in economic and social development. The tasks that face us are glorious but arduous. As long as we unswervingly implement the line, principles, and policies defined since the 3d Plenary Session of the 11th Party Central Committee; rely on the concerted efforts of the workers, peasants, intellectuals, cadres, and the patriotic personages from all circles throughout the province; and fully display our province's superiority and all favorable conditions available, we will surely overcome the difficulties in our road of advance, comprehensively fulfill the 1987 economic and social development plan, and facilitate all undertakings in the province.

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CSO: 4006/500

PROVINCIAL AFFAIRS

LIAONING REPORT ON 1986 ACCOUNTS, 1987 ESTIMATE

SK061044 Shenyang LIAONING RIBAO in Chinese 14 Mar 87 p 2

[Summary of report delivered by Gao Chepghe, director of the Liaoning Financial Department, at the Sixth Session of the Sixth Liaoning People's Congress on 4 March: "Strive To Fulfill This Year's Financial Revenue and Expenditures Tasks"]

[Text] On 4 March, entrusted by the provincial people's government, Gao Chenghe, director of the provincial Financial Department, gave a report to the Sixth Session of the Sixth Provincial People's Congress on Liaoning Province's 1986 accounts and 1987 budgetary estimate.

With regard to the 1986 accounts, he said: In 1986 our province scored new achievements in economic structural reform and in building the two civilizations, and fulfilled in a better manner the economic and social development plan in the first year of implementing the Seventh 5-Year Plan. We reaped a bumper agricultural harvest in a year of great disasters, and steadily developed the rural commodity economy. Industrial production continued to grow and the rate of development increased every season. The urban and rural markets were brisk and foreign trade was more invigorated. The people's livelihood further improved and new progress was made in scientific, technological, cultural, educational, and public health undertakings. The financial budget was well implemented along with the sustained growth of production and a continued expansion in commodity circulation, thus laying a good foundation for fulfilling the Seventh 5-Year Plan.

1. Revenues: The readjusted 1986 revenue budget was 9.854 billion yuan and the actual revenues reached 9.888 billion yuan. If revenue of 145 million yuan from the developmental zone and from Dalian port which had been decentralized to the lower levels was excluded, the total revenues were 9.743 billion yuan, which was 98.8 percent of the budgetary plan, an increase of 5.5 percent over the previous year, but fell short of the budget by 112 million yuan [as published]. In contracted jobs, we received 205 million yuan less than expected,

Governments at all levels did much during the implementation of the budget, analyzed and studied the new situations and problems that emerged in the course of economic development in a timely manner, and continuously adopted

measures to increase revenues and reduce expenditures. In view of the low industrial growth rate and the decline in budgetary revenues in the first 4 months of the year, the provincial government held meetings of mayors on two occasions, adopted measures to strengthen production organization and cooperation, strove to expand the sales of product, circulated funds, liquidated the delayed payment for goods, fulfilled all economic policies and measures, and enabled our province's industrial production and budgetary revenues to take a favorable turn starting from May. To ensure the fulfillment of the annual budgetary tasks, the provincial government further implemented the tasks to increase revenues and reduce expenditures, set fighting objectives for revenues and expenditure control targets to lower levels, further improved the system of assigning different financial quotas to different levels, and sparked the people's enthusiasm in increasing revenues and reducing expenditures. Under a situation in which there were many factors in reducing revenues and increasing expenditures, the financial revenues continued to grow, manifesting a good trend of steady economic increase in our province.

2. Expenditures: The expenditures budget adopted at the Fifth Session of the Sixth Liaoning Provincial People's Congress was 6.987 billion yuan. During the implementation of the budget, the central authorities allocated an additional 1.268 billion yuan of special funds. After readjustment, the fiscal expenditure budget came to 8.255 billion yuan and the actual year-end expenditures reached 7.55 billion yuan, which was 91.5 percent of the budget, showing an increase of 1.154 billion yuan, or 18 percent over the previous year.

3. The situation in achieving a balance between revenues and expenditures was: Generally speaking, the implementation of the 1986 budgets was good and we achieved a balance between revenues and expenditures, with small deficits in the provincial-level organs and in some cities and counties. However, many problems still existed. We failed to fulfill the revenues budget, and found it difficult to curtail some projects which caused an increase in expenditures. Furthermore, the trend of reducing revenues and increasing expenditures added certain difficulties in promoting a balance between revenues and expenditures this year. The economic results were poor and a considerable number of enterprises were inefficiently operated and managed. Some products were low in quality and high in prices. The serious stockpiling of finished products, the excessive occupation of circulation funds, and the excessive cost made deficits grow. Some localities and units built some unnecessary nonproductive facilities and thus caused the nonproductive expenditures to expand. We should pay full attention to these problems and conscientiously solve them.

As for the 1987 budgetary estimate, he said: In 1987, along with the unfolding of the campaign on increasing production and practicing economy and on increasing revenues and reducing expenditures, our province will witness a sustained and steady economic growth and our financial revenues will continue to increase. The general situation will be good. However, we will also come across some new situations and problems in the course of economic development. The national conference of governors proposed that we compress the economic

atmosphere, increase production and practice economy, increase revenues and reduce expenditures, restrain the excessive overall demands while properly increasing and improving the overall supply and demands, make the overall social demands keep pace with the overall supply, and develop the national economy on a long-term, steady basis. Through the campaign on increasing production and practicing economy and on increasing revenues and reducing expenditures, we should raise the economic results of enterprises, reduce the scope of capital construction, curtail all nonproductive expenditures, and ensure the construction of key projects. The financial revenues task is complicated and heavy.

The guidelines for the province's 1987 financial estimate are to act in accordance with the proposal of the central authorities on pooling efforts to grasp two major matters this year, such as opposing bourgeois liberalism and conducting a campaign on increasing production and practicing economy and on increasing revenues and reducing expenditures; extensively conduct the campaign with an emphasis on deepening reform, tapping potential, making improvements, opposing waste, and increasing efficiency: comprehensively raise economic results; and ensure a sustained and steady growth in financial revenues. In financial expenditures, we should ensure key and needy projects, practice strict economy, oppose waste, and raise the results in using funds. We should resolutely curtail the expenditures above our financial capacity, promote a balance between revenues and expenditures, lay a solid basis for financial revenues and expenditures, and promote a long-term and steady economic development.

1. Revenues: Under the province's 1987 budgetary estimate, the revenues will be 10.51 billion yuan, an increase of 6.3 percent over the previous year, which will basically keep pace with the increase in industrial production. This is arranged under a situation in which there is a fairly great number of factors of revenue reduction. This year's financial revenue plan can surely be fulfilled or overfulfilled through our efforts.

2. Expenditures: Owing to the fact that the central expenditure curtailment plan is being implemented, we have not finished drawing up this year's expenditures budget. The budgetary expenditure estimate for contracted jobs is: In 1987, the province's available financial capacity for expenditures will be 4.09 billion yuan, a drop of 320 million yuan from the expenditure budget of last year. Therefore, we should curtail the budget by 7.3 percent. The principle of the arrangements for the budgetary estimate is: We should not curtail the expenditures of wages for individuals; we should appropriately curtail the self-raised funds for expenditures in capital construction and in tapping potential, innovation and transformation; if possible, we should give proper consideration to agriculture-oriented expenditures and educational expenditures; the regular working funds for educational expenditures should be the same as the previous year; and other expenses should be arranged according to our financial capacity. It is necessary to curtail the expenses for parading one's wealth and high consumption funds for gifting and repairing things, for entertainment, celebrations and meetings, and for buying and repairing things, for entertainment, celebrations and meetings, and for buying cars and printing materials. To ensure the comprehensive fulfillment of this year's

financial revenues and expenditures tasks, we should perform the following tasks well: First, we should extensively conduct a campaign on increasing production and practicing economy and on increasing revenues and reducing expenditures for this is the key to fulfilling this year's financial tasks: second, we should deepen enterprise reform and strengthen the vitality of enterprises for this is the most important way to increase revenues and reduce expenditures; third, we should strengthen the work of collecting and managing tax revenues for taxes are the main source of our budgetary revenues: fourth, we should resolutely curtail the expenses above our financial capacity for this is the most important measure for fulfilling this year's financial tasks: and fifth, we should strengthen the work of examining and analyzing the situation of implementing the budgets and ensure the smooth implementation of the budgets.

At the end of his report, Gao Chenghe said: Although the budgetary revenue and expenditure tasks for 1987 are very arduous and complicated, the situations we face are good. There are many favorable conditions. As long as we unswervingly implement the line, principles. and policies defined since the 3d Plenary Session of the 11th party Central Committee under the current guidance of the party Central Committee, the State Council, and the provincial party committee and rely on the common efforts of the people of various nationalities throughout the province, we surely will successfully fulfill the 1987 financial revenue and expenditure tasks.

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CSO: 4006/500

PROVINCIAL AFFAIRS

LIAONING TO TAKE MAJOR STEPS IN ECONOMIC REFORM

HK280432 Beijing CHINA DAILY in English 28 Mar 87 p 1

[Article by staff reporter Dong Lisheng]

[Text] Dalian--Northeast China's Liaoning Province will take major steps in economic reform to invigorate enterprises this year, Geng Qingwen, deputy chief of the Provincial Commission for Reforming Economic Structures, said in an interview with CHINA DAILY on Tuesday.

"The criterion to judge whether an enterprise has been strengthened is whether it has the ability to expand itself," he said.

A series of measures will allow enterprises to enjoy greater autonomy and operate under better conditions, he said.

The reform will focus on separating the routine management of enterprises from their ownership, and experiments will also be carried out in the responsibility system for factory directors, he said.

Geng said the provincial government has also decided to reform the wage system. The workers' current wages will be recorded in their files, and their pensions will be decided in light of them.

However, during their tenure, their wages are linked to their posts and are determined according to the employee's performance. In this respect, directors have the final say. The ceiling on workers' annual bonuses, which was set at the equivalent of 4 months wages, will be raised to 5 months.

In another interview, Li Zhonglu, deputy mayor of Shenyang, said the city government had introduced two separate programmes to pool pension funds for state-owned and collectively owned enterprises. Under these programmes, an enterprise will be responsible for 40 percent of pensions for its retirees. The remaining 60 percent will come from the pool.

"The aim is to try to place all enterprises on the same starting line" because currently enterprises vary in the number of retirees and the existing pension system stipulates that enterprises be solely responsible for the welfare of their retirees, Li said.

Geng said that to create better outside conditions for enterprises, the provincial government has decided to expand production materials and money markets. Enterprises have been encouraged to establish co-operative relationships.

The state approved the provincial government's plan to operate banks as businesses responsible for their own profits and losses, he said.

"We are trying to develop short-term borrowing services for enterprises by making use of differences in supply and demand in different areas. In this way, capital turnover will be accelerated," he said.

Li said the Shenyang Iron and Steel Market was opened on 10 March this year. More than 80 enterprises and 42 production materials supply and marketing companies in the province and 10 iron and steel plants are involved in it. Business volume for the first day was put at more than 10 million yuan.

"One aspect of our work is to invigorate markets as supplies of production materials within the state plan are shrinking," Li said.

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CS0: 4020/155

PROVINCIAL AFFAIRS

LIAONING TO PRODUCE BETTER ELECTRICAL APPLIANCES

OW040508 Beijing XINHUA in English 0223 GMT 4 Apr 87

[Text] Shenyang, 4 Apr (XINHUA)--Heavy industrial centers in Liaoning Province now produce 60 percent of their electrical appliances up to international standards of late 1970's or early 1980's, XINHUA learned here today.

"In the past 5 years, the province has invested 453 million yuan (122.4 million U.S. dollars) and 100 million U.S. dollars to import 261 items of foreign equipment and technology to upgrade existing equipment used in the manufacture of electrical appliances such as television, calculators, tape recorders, and video recorders. "The province's total industrial output value has jumped to fourth place nationwide," a local government official said.

"The province's four television factories have a combined annual production capacity of 1 million color and 1 million black and white sets," he said, adding the "Baihua" and "Xinghai" brand black and white television sets have won state silver medals, and component part production has also increased by a big margin.

The province earned 14 million yuan (3.8 million U.S. dollars) by exporting electrical appliances including television sets, tape recorders, refrigerators, radios and component parts at last year's Guangzhou commodity fair.

"By 1990, the province will invest 160 million yuan (43.2 million U.S. dollars) and 37 million U.S. dollars to import foreign advanced technology and equipment in a bid to make the province a major export center for electrical products," the official said.

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CSO: 4020/155

PROVINCIAL AFFAIRS

SHAANXI GOVERNOR CALLS FOR IMPROVEMENTS IN MOUNTAIN AREA

HK070249 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 7 Apr 87

[Excerpts] Governor Zhang Boxing pointed out during a recent inspection of Shangluo Prefecture that this prefecture has fine strong points in resources and there are excellent prospects for enlivening its economy. The cadres at all levels must attach importance to science and technology and to the training of talented people, and make more contributions to building new-style mountain areas in the prefecture.

During the 10 days from 28 March to 6 April, Governor Zhang Boxing visited Shangxian, Shanyang, Shangnan, Danfeng, and Luonan Counties to investigate and study. After his investigations, he pointed out: Shangluo is rich in resources, however, for various reasons, there are still many things that have not been exploited and used. The cadres at all levels and the masses must take an all-round view of the prefecture and regard it as a treasury, not as a burden. They should all be concerned for it and work with concerted efforts to exploit the prefecture's resources and carry out economic construction in the poor areas.

Zhang Boxing stressed the following issues in light of the current work situation: 1) Grain production must certainly not be relaxed. It is essential to cherish the land and boost the reserve strength of agriculture. 2) Invigorate the enterprises, get a good grasp of increasing production and practicing economy, and improve economic results. 3) Take advantage of the strong points in resources to develop township and town enterprises. 4) Pay attention to information feedback and invigorate the circulation field.

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PROVINCIAL AFFAIRS

SHAANXI LEADER ON PRODUCTION SAFETY PROBLEMS

HK261139 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 25 Mar 87

[Text] During his speech delivered yesterday at a provincial on-the-spot meeting on production safety held at the (Chenghe) mining bureau, Zeng Shenda, vice governor of the provincial government, stressed that leaders at all levels must firmly foster the idea of putting safety first, conscientiously and responsibly promote production safety work, and resolutely reduce the number of accidents.

Zeng Shenda said: Although our province's production safety conditions last year were improved to some extent, the existing problems in this regard are still quite serious. The major serious problems are the glaring morality from major accidents and the frequent occurrence of accidents in town-and-township enterprises. Very serious traffic accidents in our province have continued unabated and more than 1,200 people have been killed in traffic accidents. This year, there have been very frequent forest fires and other fires in our province, thus causing very heavy losses of human lives and property.

Zeng Shenda noted: Promoting production safety is an economic issue, and a political issue as well. Governments and industrial and transport administrative departments at all levels and all enterprises must regard production safety work as an important content of their drive to increase production and practice economy and increase revenue and reduce expenditure, conscientiously promote production safety work, and achieve successes in this regard.

Zeng Shenda laid special stress on safety problems concerning coal mines. He said: All coal mines must establish or improve different types of safety systems, and implement the safety responsibility system. Regarding hidden dangers to production safety, all coal mines must set up successive lines of defense and set strict demands on removing such dangers.

Zeng Shenda noted: We must persist in implementing the system in which the person holding primary administrative responsibility in an enterprise takes primary responsibility for production safety, and encourage production safety organizations at all levels to form systematic and effective production safety networks. We must seriously handle those who bear responsibility for the occurrence of accidents. Regarding fatal accidents and major near

accidents, we must conscientiously investigate and handle such cases and investigate and affix the responsibility for the crime of causing such accidents. Those units that have experienced major industrial accidents and those enterprises that have failed to effectively control dust pollution must not be upgraded nor must they be commended as advanced enterprises.

On behalf of the provincial government, Zeng Shenda awarded medals to the (Chenghe) mining bureau and the Heyang County No 1 coal mine, two advanced provincial units in promoting production safety.

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PROVINCIAL AFFAIRS

SHAANXI MOUNTAIN AREAS RECEIVE ASSISTING FUNDS

K271424 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 27 Mar 87

Excerpts] Station reporter (Xin Yishan) has learned from the second provincial conference on supporting poor Qinba Mountain areas that starting this year, the state will provide annually more than 30 million yuan in discounted [tie xi] loans for 5 years in succession in support of poor areas in the Qinba Mountains. The Qinba Mountains are also annually provided with assisting funds amounting to over 20 million yuan and with other types of loans. This means that a grand total of over 80 million yuan in assisting funds will be provided annually by the state for developing the Qinba mountains.

According to statistics, last year the state arranged over 20.5 million yuan in assisting funds to support the Qinba Mountains' 108,000 households with special material difficulties and poor households. Of these households, 10,400 households comprising 137,000 people have so far increased their per-capita net income to over 150 yuan, thus initially having enough to eat and wear.

The second provincial conference on supporting poor areas of the Qinba Mountains, which was convened on 21 March, demanded that starting this year, the masses in the Qinba Mountains must basically have enough to eat and wear within 3 years, be basically lifted out of poverty within 5 years, and strive by every means to reach in about 10 years the average economic and income levels of ordinary areas of this province.

Xu Shanlin, vice governor of the provincial government, attended and addressed the conference.

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PROVINCIAL AFFAIRS

SHANGHAI INDUSTRIAL OUTPUT 22.89 BILLION YUAN IN FIRST QUARTER

OW050808 Beijing XINHUA in English 0630 GMT 5 Apr 87

[Text] Shanghai, 5 Apr (XINHUA)--Shanghai, China's leading industrial city, showed an industrial output value of 22.89 billion yuan (6.2 billion U.S. dollars) in the first quarter of this year.

"This figure represents an 8.7 percent increase over the same period in 1986," a municipal official announced today, "and by the end of March, the city had fulfilled 24 percent of the city's yearly quota."

The city has chosen 128 of its 811 major industrial products including light industrial products, electrical appliances, building materials and machines as key items for development this year after a marketing survey.

"The production of bicycles, television sets, tape recorders, beer, dairy products, gas, steel, coke, fertilizer, traditional Chinese medicine, and motors is up at least 10 percent," the official said.

To date, 30 enterprises funded by foreign investment are operational and have produced a total output value of 417 million yuan (112.7 million U.S. dollars), ranking first in growth citywide.

According to the official, a number of problems hindered production increases, and the city still lacks some raw materials including cotton, raw silk, wool, and steel.

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PROVINCIAL AFFAIRS

SHANXI CUTS CAPITAL CONSTRUCTION INVESTMENT

HK310243 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 30 Mar 87

[Text] Shanxi achieved some control over the growth of capital construction investment during 1986. The province improved the investment climate and the investment results. According to statistics, investment in capital construction in units owned by the whole people was 5.3 billion yuan, an increase of 230 million yuan over 1985. This was lower than the 37.3 percent growth recorded in 1985. After making allowance for the rise in the prices of construction industry products, the general scale of construction investment was basically the same in 1986 as in 1985. The province's control of the scale of investment last year was characterized by the following points:

1. The number of projects under construction was reduced, the local scale of investment was correspondingly cut, and the goal of strictly controlling local projects was basically attained. Of the total investment sum, central government projects accounted for 3.87 billion yuan, a rise of 13.6 percent over 1985, and local projects accounted for 1.43 billion yuan, a reduction of 14.1 percent. The number of projects under construction in the province dropped from 2,600 in 1985 to 2,200.
2. The investment structure was improved to some extent. The proportion of productive investment started to rise from a decline, while the proportion of nonproductive investment was curbed to some extent. Productive investment rose by 85 percent over 1985, while investment in nonproductive construction dropped by 5.2 percent. There were big increases in investment in the energy field, such as coal and electric power.
3. The investment results were relatively good. Last year the province added the following major production capacities: 4.86 million tons of coal; washing of 5.4 million tons of coal; [words indistinct] of aluminum; 513,000 kilowatts of electric power; 347 km of power transmission lines; and [words indistinct].

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PROVINCIAL AFFAIRS

SHANXI MEETING CALLS FOR PRODUCTION, ECONOMY DRIVE

HK270205 Tiayuan Shanxi Provincial Service in Mandarin 2300 GMT 26 Mar 87

[Excerpts] On 26 March, the provincial government held a mobilization gathering of the provincial organs to launch the drive to increase production and practice economy and increase revenue and cut spending. Responsible persons and financial office directors of the provincial departments, commissions, bureaus, and offices attended.

Vice Governor Bai Qingcai delivered a mobilization speech. He said: The focus in economic work this year is on compressing the atmosphere and launching the drive to increase production and practice economy and increase revenue and cut spending. The leading comrades at all levels must have a clear understanding regarding this. Bai Qingcai put forward the following demands:

1. Strengthen leadership over this drive. The principal leading comrades of every department must personally mobilize the masses and conduct education for the cadres and workers in waging arduous struggle, building the country with hard work and thrift, making greater contributions, strictly observing discipline, doing everything with diligence and economy, and opposing extravagance and waste. All departments must formulate plans and effective measures for launching the drive and periodically check on their implementation. All departments must reduce spending on purchases, repairs, and conferences by 30 percent from last year's figure.
2. Ensure strict adherence to the budget and pursue efficient use of capital. The things that the departments need to do this year should be arranged in order of priority and kept within the spending targets. Money must be spent carefully. We must achieve more while spending less, and make whatever savings are possible.
3. It is necessary to strengthen management and make good use of surplus funds left over from previous years.
4. It is essential to act in accordance with the financial system. We must uphold the existing financial systems. Spending on undertakings and administration must be the responsibility of each level. The departments must not increase the burden on the finances of any level.
5. The departments concerned must closely cooperate in working together to do a good job in increasing revenue and cutting spending.

PROVINCIAL AFFAIRS

SHANXI LEADER ON PROMOTING STATISTICAL WORK

HK261309 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 26 Mar 87

[Text] In his speech at the provincial conference on statistical work which concluded yesterday [25 March], Bai Qingcai, vice governor of the provincial government, noted: Our province's statistical work must closely revolve around the two major tasks for this year, comprehensively, promptly, and correctly provide economic information, and offer high-quality service for construction work on the four modernizations.

Bai Qingcai said: The central authorities recently called for grasping the two major tasks this year, namely, the task of upholding the four cardinal principles and opposing bourgeois liberalization, and the task of compressing inflated atmosphere in the economic field, of launching the drive to increase production and practice economy and increase revenue and reduce expenditure, and of ensuring coordinated and steady development of the national economy. In carrying out our province's statistical work this year, we must also implement these two major tasks. For this reason, our statistical work should be geared to the needs of our society, and must provide correct market information, and provide a scientific basis for leaders at all levels to correctly conduct policy-making in a macrocosmic sense. In carrying out statistical work, we must pay attention to keeping watch on and correcting any deviations made in construction work, and continue to provide high-quality services for the promotion of our national economy.

He hoped that statistics departments throughout the province would promote statistical work through thrift and hard work, gradually achieve the modernization of statistical methods, constantly study ways to improve statistical methods through practice, do a better job of correctly, promptly, and comprehensively reporting on economic conditions, actively train statistical workers, actively improve the quality of statistical workers, foster the idea of wholeheartedly serving the people, work hard and persistently, be honest in performing their official duties, and surmount difficulties to promote their work.

The provincial conference on statistical work was held from 21-25 March in Taiyuan. During the conference, (Xue Jun), director of the provincial statistics bureau, summarized last year's work and set tasks for this year.

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PROVINCIAL AFFAIRS

SICHUAN GOVERNOR ON ECONOMIC PROGRESS IN PROVINCE

HK060221 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0313 GMT 1 Apr 87

[Report by ZHONGGUO XINWEN SHE reporter Lin Hu (2651 5478): "Steadily Develop Agriculture and Open Wide the Gate of the 'Land of Plenty'--an interview with Sichuan Provincial Governor Jiang Minkuan"]

[Text] Beijing, 1 Apr (ZHONGGUO XINWEN SHE)--A popular saying once spread on the Chinese mainland: 'If you want grain, look for Ziyang.' When Zhao Ziyang presided over the work in Sichuan 8 years ago, he successfully popularized the contracted responsibility system for agricultural production so that the big province, with one-tenth of China's population, has been able to steadily develop agricultural production and the people have ample food and clothing. The saying, which the people in Sichuan expressed from the bottom of their hearts, represents praise for Zhao Ziyang's benevolent rule.

As an NPC deputy, Governor Jiang Minkuan, who had been promoted from among the engineers, is attending the Fifth Session of the Sixth NPC. In an interview with this reporter, he spoke glowingly of the new development in Sichuan's agriculture.

Governor Jiang said: As Premier Zhao Ziyang pointed out in his government work report, China's agricultural problem is primarily the grain problem. Sichuan's grain output increase year after year. Although it was hit by numerous natural disasters last year, its grain output was only slightly lower than in the record-breaking 1984. However, this still represents an increase of 1.8 billion jin over 1985. Sichuan's pig breeding also ranked first in China. The number of pigs on hand and slaughtered reached 100 million, an average of one pig per person. This never happened in the past. Fresh pork is now available everywhere; there is a great variety of vegetables offered by restaurants in cities and towns or carried by people in their baskets and the prices are cheap. The income of Sichuan's agricultural population, 87 million in all, increases year after year. Agriculture has a fairly firm basis in Sichuan.

Jiang Minkuan said: In Sichuan there are still a few outlying areas which have a poor foundation to start with. Some 300,000 peasants have not extricated themselves from poverty. The provincial government has worked out a "poverty support plan." He said: To make the peasants prosper, in

addition to attaching importance to grain production, it is also necessary to grasp diversified undertakings and to develop town and township enterprises.

At 57, Governor Jiang Minkuan looks young for his age. He graduated from Shanghai Industrial Training School in his early years. He can speak standard Mandarin although with a little Sichuan accent occasionally. He praised Premier Zhao's government work report, saying that it tallies with the national and Sichuan conditions. The steady development of agriculture is the basis of China's economic development. If this basis is not solid, a stable political situation will be out of the question.

Jiang Minkuan frankly admitted that some 300,000 peasants in Sichuan had not extricated themselves from poverty. He said: To make the peasants prosper, in addition to attaching importance to grain production, it is also necessary to grasp diversified undertakings and rely on science to develop town and township enterprises.

The governor dwelled upon Sichuan's reform and opening up with great relish. He said: Though rather late in opening up to the outside world, Sichuan has made such rapid headway that it has established economic links with 17 countries and regions. Last year, Sichuan introduced over \$100 million in foreign capital, its total value of export commodities reached \$480 million, and it signed 32 contracts on technological import with foreign countries. There are now over 40 enterprises in the province run with foreign investment.

He said: The "land of plenty" should open the door wide and boldly carry out the policy of opening up. With an area of 570,000 square km, Sichuan is extremely rich in natural resources. The reserves of the province's 23 minerals rank first in the country. Its titanium reserves account for 45 percent of the world's reserves. Sichuan has a mild climate. Farm crops can grow all the year round. Machinery, electronics, natural gas, salt, and other industries have a fairly solid basis. After observing Sichuan's investment environment, many foreign businessmen said: "I shall not go anywhere else in the second half of my life because it is quite enough for me to cooperate with Sichuan."

Governor Jiang said: Of Sichuan's two exploitable major resources, in addition to what I have mentioned above, there is also tourism. The world-famous holy land of Buddhism--Emei Shan, the encapting scenery in Jiuzhaigou, the great image of Buddha carved from the Leshan hill, the natural protection area for giant pandas, the new glacier, the primitive lava caves, forests, and lakes are yet to be further developed.

Jiang Minkuan told this reporter: It is all the more important to develop Sichuan's communications. In the past, Sichuan had poor transport facilities. However, tremendous changes have taken place in the last 5 years. Over 40,000 km of new highways have been built. Sichuan has become the first province in the country to achieve electrification of railway lines and popularization of diesel locomotives. Ships with a load of 4,000 tons can directly sail overseas and the volume of civil aviation passenger service increased by nearly 100 percent last year over the year before. The

governor asked this reporter to send this message to people overseas: Sichuan is capable of exporting, according to the needs of foreign businessmen, large quantities of industrial and agricultural products with guaranteed quality. It has the necessary conditions to absorb advanced world technology, and has the capability to repay investment credits. Sichuan's resources are yet to be developed. Foreign investors are welcome to cooperate with us. The gate of the "land of plenty" is wide open.

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PROVINCIAL AFFAIRS

DAWAMAT NOTES SIX TASKS FOR XINJIANG'S ECONOMY

OW080215 Beijing XINHUA Domestic Service in Chinese 1247 GMT 7 Apr 87

[By reporter Li Anding]

[Excerpts] Beijing, 7 Apr (XINHUA)--During a recent group meeting of the Fifth Session of the Sixth NPC to examine and discuss Premier Zhao Ziyang's government work report, Tomur Dawamat, NPC deputy and chairman of the Xinjiang Uygur Autonomous Region, pointed out that Xinjiang would pay attention to the following six tasks this year in order to promote a long-term and steady development:

--It will uphold the four cardinal principles and oppose bourgeois liberalization. Historical experience proves that, only by upholding the four cardinal principles, can Xinjiang have stability, unity, and prosperity. During the struggle against bourgeois liberalization, particular attention should be paid to correct policy and method. Education by positive example should be our main approach to the struggle.

--It will further the reforms, and carry out a campaign to increase production and practice economy.

--It will strive to reap bumper agricultural harvests.

--It will pay attention to promoting commodity circulation.

--It will concentrate on solving questions about qualified personnel, education, science, and technology. Xinjiang will continue to hire the necessary qualified personnel and introduce advanced science and technology from outside the region this year. It will give priority to stabilizing, improving, and using existing manpower, and allow justified job transfers of talented people in the region. At the same time, it will pay attention to education, and actively train the necessary personnel.

--It will take effective measures to further promote development of rural and collective enterprises, as an important way to readjust the structure of rural production, prosper commodity economy, and banish poverty.

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PROVINCIAL AFFAIRS

XINJIANG PROMOTES REFORM OF INDUSTRIAL ENTERPRISES

HK060227 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 31 Mar 87

[Excerpts] According to station manager (Shi Linjie), this morning directors and managers from 55 enterprises of Urumqi City respectively signed with the city economic commission some leasing and contract documents and agreements on achieving goals during their terms of office, thus making a stratifying step in deepening reform in our autonomous region's industrial and communications enterprises.

Zhang Sixue and Tuohuti Shabier, leaders of the autonomous regional party and government organizations, attended and addressed the signing ceremony.

According to station reporter (Shi Linjie), Tuohuti Shabier, vice chairman of the autonomous regional government, this morning delivered a speech at the ceremony in which directors and managers from 55 industrial and communication enterprises of Urumqi City signed leasing and contract documents and agreements on achieving management goals during their terms of office. He hoped the directors and managers of the 55 enterprises would carry forward the expansionary spirit of boldly making explorations, of daring to think, and of daring to act, and opening up a new path for the further promotion of reform in industrial and communication enterprises throughout the region.

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PROVINCIAL AFFAIRS

BRIEFS

QINGHAI CUTS NON-PRODUCTIVE PROJECTS--Qinghai is to halt or suspend construction of a number of non-productive projects this year, saving 20 million yuan in construction investment. According to the original plan, the province was to build 30 projects this year and make preparations for a further 27. The provincial planning commission has now decided to halt or suspend 23 projects. Following this readjustment, investment in productive projects this year will amount to 54.9 percent of the total construction investment for the year, a 3 percent rise over the original plan. [Summary] [Xining Qinghai Provincial Service in Mandarin 2300 GMT 24 Mar 87 HK] /9274

FREE MARKETS, FARM SUPPLY IMPROVES--Beijing, 30 Mar (XINHUA)--Beijing has tripled the number of free markets in the last 2 years to improve the supply of farm produce to its urban residents, the Beijing-based "CHINA ADVERTISER" reported today. According to the newspaper, the city now boasts more than 640 market places that accommodate some 39,400 stands. Last year they sold 640 million yuan (172.8 million U.S. dollars) worth of agricultural produce to local residents. The city government has adopted the policy since last May to allow private peddlers to sell their goods in the capital, and this policy has greatly contributed to brisk trading at free markets, said the paper. It also invested some 16.1 million yuan (about 4.347 million U.S. dollars) last year to build halls and shelters for these private businesses, the paper reported, adding that some market places now also provide sales information, and board and lodging for those from outside the city. [Text] [Beijing XINHUA in English 1246 GMT 30 Mar 87] /9599

CSO: 4020/155

FOREIGN TRADE, INVESTMENT

THREE CHANGES IN PRC TRADE WITH HONG KONG, MACAO IN 1986

Beijing GUOJI SHANGBAO in Chinese 26 Feb 87 p 1

[Article by Wang Yixia [3769 0181 1115]: "Three Major Changes Occurred Last Year in China's Trade with Hong Kong and Macao; Overall License Management for Quotas a Success; MOFERT Convenes First National Conference on Quota Management"]

[Text] "The overall quota license management that was applied to Hong Kong and Macao last year was a success: it quite effectively controlled the volume of commodities exported from China to Hong Kong and to a certain extent brought under control the problems caused by 'parallel goods'; it stabilized marketing channels, thereby ensuring the export vigor of Chinese goods in the Hong Kong market. At the same time, it had a definitely positive effect on stimulating exports of manufactured goods, improving China's export structure, and maintaining existing divisions of labor."

These were the words of Guan Qingtai [7070 3237 1132], deputy director of the Import-Export Office of MOFERT, on 24 February at the first national conference on quota management convened by MOFERT in Tianjin.

Guan Qingtai stated that correct administrative policies and complete management measures together with the coordination and support of the various concerned departments, and the common effort of the staff and workers of foreign trade enterprises, were the cause of several felicitous changes in China's exports to Hong Kong and Macao last year:

--The absolute value of exports increased significantly. Last year, China's exports to Hong Kong amounted to \$7.46 billion, a 30-percent increase over the figure of \$5.75 billion in 1985; exports to Macao amounted to \$290 million, a 29.3-percent increase over the \$220 million in 1985.

--There was a rapid increase in the proportion of the total value of Chinese exports to Hong Kong in the total value of Hong Kong imports, greatly exceeding the increase in total value of Hong Kong imports.

--The adverse balance of trade was wiped out, and a large favorable balance was achieved. According to statistics, China's imports from Hong Kong in 1986 amounted to \$4.11 billion, and exports amounted to \$7.46 billion, giving a

favorable balance of \$3.35 billion. This restored China's long-standing favorable trade balance with Hong Kong and contributed to reducing the country's total trade deficit.

Guan Qingtai stated that the purpose of implementing quota management is to achieve centrally planned handling of exports from all regions and entities in accordance with the capacity and characteristics of the Hong Kong and Macao markets while adhering to the principles of "quality first" and selection of advantageous exports, so as to ensure that exports are of high quality, in suitable volume, balanced, and seasonable. Centralized planning will also make it possible to exploit the exporting enthusiasm of each region, so as to assist in stabilizing and fostering the Hong Kong and Macao markets. Specifically, quota management for commodities exported to Hong Kong and Macao is intended to achieve the following:

1. In narrow matters, there should be decontrol and stimulation; in broader contexts, there should be control and management. For the myriad of commodities exported to Hong Kong, the approach adopted should focus basically on adaptation to the market and market regulation. For exports of certain traditional, staple commodities, quota and license management should be applied. This is the only way to gradually achieve control without rigidity and flexibility without chaos.

2. Restrictions should be placed on those few enterprises that raise prices for purchasing and lower prices for marketing, so as to restrain the flood of "parallel goods."

3. By adjusting quotas, we can deliberately encourage exports of good-quality, low-cost commodities that sell at high prices and generate more foreign exchange; we can also suitably restrict exports of goods and precious resources that are in short supply domestically, so that the mix of export commodities will become more rational.

In addition, for overlapping operations that run counter to the principle of division of labor, we can coordinate these operations by distributing limits.

4. Through quota management, the economic benefits of China's exports should be increased and the prosperity and stability of the Hong Kong market should be maintained. The exchange earned by China's exports to Hong Kong and Macao accounts for one-fourth the exchange China earns through exports, and the exchange earned by commodities exported to Hong Kong under quota management accounts for four-fifths of all exports to Hong Kong and Macao. Thus, properly controlling these exports through quota management is crucially important for ensuring the country's exchange earnings from exports and the prosperity and stability of the Hong Kong and Macao markets. At the present stage, with such indirect regulating means as exchange rates and taxation still being incomplete, quota management becomes all the more a direct and forceful means of administrative intervention for coordinating exports and improving the economic benefits of foreign trade.

This 5-day conference will summarize and exchange the experience and lessons of 1986 regarding implementation of quota management for exports to Hong Kong and Macao, discuss ways to further perfect export quota management, and set forth and make adjustments in a program for distributing export limits for 1987 trade with Hong Kong and Macao.

FOREIGN TRADE, INVESTMENT

LICENSE MANAGEMENT OF EXPORT QUOTAS FOR HONG KONG, MACAO

Beijing GUOJI SHANGBAO in Chinese 3 Mar 87 p 1

[Article by Wang Yixia [3769 0181 1115]: "License Management of Export Quotas for Hong Kong and Macao Is Essential, Focus Should Be on Expanding Exports and Not Solely on Quota Distribution, Says Zhang Haoruo [1728 4110 5387]"]

[Text] "Last year's facts fully demonstrate that license management of export quotas for Hong Kong and Macao is necessary and effective. The chaotic situation in the Hong Kong and Macao markets in the previous several years, especially 1984, has now been turned around. Last year China's exports to Hong Kong and Macao reached record levels and restored our exports to first place in Hong Kong's imports." This was the message delivered by MOFERT Vice Minister Zhang Haoruo on 24 February at the first conference on quota management held by the national trade system in Tianjin.

Zhang Haoruo stated that last year's turning over by MOFERT of export quota and license management to the planning departments and import-export departments, respectively, was a step forward in improving management of foreign trade and exports. Control over quotas and licenses will gradually establish and perfect interrelationships and coordination, and the mutually complementary export management system. Management of licenses includes four elements: management and control of operating units, management and control of the orientation of markets, management of export volume, and management of prices. Management of quotas and licenses is now an indispensable management tool.

Zhang Haoruo said that the foreign trade situation this year is grim. First, this year is preparatory to reform of the foreign trade system, setting the stage for the new system, so that the old system is still operating despite the changes that have occurred. Second, The "big pot of rice" is still playing a role in the current foreign trade system, with unequal competition among the foreign trade companies. Third, The Hong Kong and Macao markets are intimately connected with the mainland, with all sorts of trade channels coexisting. This is the complex situation facing this year's exports to Hong Kong and Macao, and it is a key reason that we must properly handle export quotas for these territories.

Zhang Haoruo said that this year's export situation also presents several problems for our quota management: 1) conflicts between plans and quotas; 2) export costs must be strictly audited this year, which means that new conflicts may also arise in quota distribution; 3) there is also a problem with factors restricting our exports arising concurrently. Therefore, there must be mutual understanding and cooperation among foreign trade enterprises. Furthermore, the necessary administrative measures must be taken in addition to the economic measures.

Finally, Zhang Haoruo pointed out that management of export licenses should be positive management and should focus on developing exports, expanding exports, and improving economic benefits. If we concentrate on how to distribute the existing quotas, we shall never meet the demands facing us.

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NO: 4006/432

ECONOMIC ZONES

SHORT-TERM MONEY MARKETS FLOURISH IN SHANGHAI EZ

Shanghai WEN HUI BAO in Chinese 3 Mar 87 p 1

[Article by Zhang Songpo [1728 1529 0980]: "Short-Term Money Markets Becoming More Active; There Are Now Both Tangible Money Markets of Specialized Banks and Intangible Money Markets of Interbank Lending Networks; 14.6 Billion Yuan Lent in 4 Months"]

[Text] The office of the joint conference of bank directors of the Shanghai Economic Zone has revealed that short-term money markets in the zone now exist in both tangible and intangible forms and are continuing to grow.

A tangible money market is a money market established by a specialized bank at a fixed site and for a fixed time; an intangible money market is a horizontal, interbank lending network that may lend money at any time by agreement. Since the Industrial and Commercial Bank of Shanghai opened the first short-term money market at the end of August last year, 56 tangible and 16 intangible money markets have been launched in the Shanghai EZ; in all, they have lent 14,626,000,000 yuan.

In terms of their scope, there are basically three levels to the Shanghai EZ's short-term money markets. The lowest level is the county money market; many of these are run by county agricultural banks, which recruit credit cooperatives to participate in them. In Rui'an County, Zhejiang, for example, only 9 million yuan in transactions have been concluded, but surpluses and shortages among the credit cooperatives have been adjusted, and this has played a major role in supporting township enterprises and farm production. The second form of money market is that organized by medium-size cities, in which many units participate and which cover a broad area. The Wuxi money market in Jiangsu, for example, was originally comprised of Suzhou, Wuxi, Changzhou, and Ningbo, but it has now been expanded to include 45 cities in 15 provinces; it has also combined both tangible and intangible markets, and each transaction averages several hundred million yuan. The third form of money market is that organized by large cities. The Shanghai money market, for example, has not yet become the money market center for the entire country, but it is on its way. It is based in Shanghai, is established in the EZ, and affects the entire country.

According to an analysis by the officials concerned, short-term money markets sprang up in response to objective economic growth. The Chinese system of

distribution of credit funds has always relied exclusively on vertical, top-to-bottom distribution, making it impossible to circulate funds evenly. In addition, enterprises were unable to select their banks and had no means of solving their shortages of funds. With funds now circulating horizontally without fixed terms and forms, short-term money markets are developing. Briefly, there are three advantages to this: 1) the excessive compartmentalization of the past has been destroyed, so that funds can be appropriately circulated according to the growth and activity of the commodity economy develops; 2) the profitability of using funds has been increased; since these funds are borrowed from a market on a short-term basis and must be repaid on time, enterprises wishing to borrow must adhere to these conditions, unlike in the past, when short-term bank credit funds were put to long-term use; 3) interrelationships among related industries have been strengthened. Relations have become closer through the market trade, and information is exchanged and circulated.

The Shanghai EZ is now moving to promote the creation of money market networks in order to bring together the various scattered, individual money markets, thereby creating a huge and powerful market system.

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CSO: 4006/432

FINANCE, BANKING

ACTIVE FINANCIAL MARKET EMERGES IN SHANGHAI

Shanghai JIEFANG RIBAO in Chinese 8 Nov 86 p 1

[Interview with Li Ruixiang, president of the People's Bank of China in Shanghai, by JIEFANG RIBAO reporters Huang Jiasheng [7806 0857 3932] and Wu Yalun [0702 7161 0243]: "Good Prospects of Financial Reform in Shanghai"; date and place of interview not given]

[Text] Shanghai finance is embarking steadily on the course of reform. Over the past 2 months, the developmental momentum has been extraordinarily strong and the short-term fund market has become more and more active. A trend toward the formation of a long-term fund market has also appeared. Gradually a multi-faceted multi-level new financial system is taking shape. The future of financial reform in Shanghai has attracted the close attention of some people at home and abroad. For this reason, reporters interviewed President Li Ruixiang [2621 3843 4382] of the municipal People's Bank the other day.

"Our goal at the moment is to work hard to improve macroeconomic control over finance and establish a credit system where bank credit plays the leading role and where a multitude of credit channels, forms of credit, and credit instruments coexist. We will also fully mobilize the enthusiasm of all quarters for raising funds and promote horizontal fund circulation so that Shanghai will truly become the nation's financial center and live up to its role as the hub from which both domestic economic reform and foreign technology emanate." Comrade Li Ruixiang came straight to the point after he was told the purpose of our visit. "But developing a financial market is a very complex matter. While our long-term objective is to turn Shanghai into the nation's financial center, we must still concentrate on the here and now as far as procedures are concerned, start with the small and crude before moving on to bigger and more intricate things, and accomplish our task gradually."

He then enthusiastically briefed us on the specific ideas:

1. Further Improve the Market for Inter-bank Borrowing. Borrowing between financial institutions within the municipality and between them and their outside counterparts will be promoted to regulate fund shortages and excesses. The methods of borrowing, maturing periods, and interest rates are to be decided by the two parties through negotiations. The People's Bank must actively participate in inter-bank borrowing. Should financial institutions

encounter problems in this area, the People's Bank may come to their aid by advancing short-term loans of a certain amount.

2. Popularize commercial notes and set up a notes market. Enterprises holding commercial notes may apply to a specialized bank for discount. Specialized banks, in turn, may apply to the People's Bank for rediscount. Specialized banks may also apply to one another for transfer discount. Specialized banks must tighten the inspection of materials put up by enterprises as collateral for loans; unguaranteed loans should not be approved. This is necessary to nudge enterprises toward using commercial notes as a form of credit. Apart from the popularization of commercial notes, we must develop bank notes. A majority of the transactions between financial institutions and between enterprises should take the form of notes.

3. Improve the stock market. New financial tools should be added. After approval by the municipal financial agency, financial institutions may issue high-value certificates of deposit and local financial bonds to provide cash holders with more options. Enterprises of all types should be allowed to issue stocks and bonds provided authorization has been obtained. Enterprises should be encouraged and supported to go in for share-holding. Also, an experimental secondary market should be set up. Some stocks should be allowed to be transferred, bought, and sold. A stock exchange should be set up when conditions are ripe.

4. Open up a foreign exchange market when conditions are ripe. To pave the way for the establishment of a foreign exchange market, we should first invigorate foreign exchange regulation. Originally a responsibility of the Bank of China, foreign exchange regulation will also be handled by the Bank of Communications after the latter is established. The scope and objects of foreign exchange regulation should be broadened as appropriate. When conditions are ripe, prices should be deregulated step by step and be allowed to fluctuate in response to the supply-demand situation on the market.

President Li Ruixiang emphasized that to develop Shanghai's financial market vigorously and steadily, they must proceed from the municipality's actual circumstances and take a number of necessary steps.

First, financial institutions must be further developed. The development of the financial market is inseparable from the activities of financial institutions. Financial institutions must be multi-level and diversified. The Bank of Communications, soon to be opened, must offer an array of services. Headquartered in Shanghai, it will gradually set up branches in other large and medium-sized cities to meet the needs of lateral economic associations. The private sector should be encouraged to establish a large number of urban credit cooperatives. Concerning fund regulatory centers and funds already in existence in some industries, they should be supported if they have legitimate sources of funds. In the future, enterprises may choose which bank to maintain an account at and banks can choose their clients.

Second, Shanghai must implement share-holding. That large and medium-sized enterprises should become share-holding enterprises is inherent in economic structural reform as the latter gains depth. Share-holding is conducive to

adjusting the fund structure and increasing the efficiency with which funds are used. Besides allowing collective enterprises and joint lateral enterprises to issue shares, therefore, we are in the process of selecting a number of large state-owned enterprises with a sound reputation and high economic results to carry out pilot projects in share-holding.

Furthermore, the commercialization of specialized banks must be accelerated. The most basic aspect of the commercialization of specialized banks is invigoration--transforming them into genuinely independent economic entities and legal persons endowed with specific rights and obligations. Taking a leaf from the book of large state-owned enterprises, all specialized banks should practice self-management, be responsible for their own profits and losses, exercise managerial autonomy, make their own decisions regarding interest rate fluctuations and fund regulation, and assume the responsibility and risks of loans.

President Li Ruixiang finally said, "As far as financial work is concerned, the biggest shortcoming in the past was the 'big pot' in fund supply. The People's Bank was held responsible for satisfying the fund requirements of specialized banks. The latter, in turn, did likewise for enterprises. When enterprises ran out of money, they turned to specialized banks for help. And when specialized banks needed money, they turned to the People's Bank. In the future, specialized banks and enterprises must learn to raise funds on the market, the prices of such funds to be determined by market supply and demand. This is the only way to increase the amount of funds raised and encourage enterprises to run their businesses shrewdly, pay attention to economic results, improve the efficiency with which funds are used, and channel funds in a more efficient direction."

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FINANCE, BANKING

FUND CIRCULATION IN SHANGHAI ACCELERATES SIGNIFICANTLY

Shanghai JIEFANG RIBAO in Chinese 29 Oct 86 p 1

[Article by Wu Yalun [0702 7161 0243] and Huang Jiasheng [7806 0857 3932]
: "Financial Reform Pays Off for Shanghai"]

[Text] Not long after it took the first step toward financial reform, Shanghai has made progress of a breakthrough nature and reaped remarkable economic results. Through inter-bank borrowing and note discounting, specialized banks have been regulating funds actively. The result is significantly accelerated fund circulation. According to calculations by the departments concerned in the People's Bank of China, at the moment one yuan in fund is as useful as 5.6 yuan. Funds are now being put to use much more efficiently.

For years specialized banks could not circulate funds among themselves. Reform has dismantled this barrier between inter-bank fund circulation. Exploiting the "time," "geographical," and "trade" differences in fund utilization, specialized banks have been extending short-term loans to one another to make good fund shortages and relieve fund excesses. In the process fund circulation has been accelerated and production needs have been met. By late September, the Bank of Industry and Commerce has made additional loans to the tune of almost 1 billion yuan to meet the legitimate fund requirements of increasing production. The thrust of its lending is directed toward large and medium-sized enterprises in the municipality to help them become invigorated and increase the output the high-quality, brand-name, and popular products as well as merchandise to be exported in return for foreign exchange. A sizable portion of the 1 billion yuan in additional loans was lent to other specialized banks like the Agricultural Bank. To promote inter-bank borrowing, the municipal People's Bank published the "inter-bank lending regulations for banks in the municipality of Shanghai" to provide a basis for such transactions. As of late September, the Agricultural Bank in Shanghai has made 54 loans worth a total of 670 million yuan to other banks. The municipal Bank of Industry and Commerce set up a short-term fund market in late August. Thus far 7 rounds of negotiations and more than 50 deals have been made with a total value of 856 million yuan. The maturing periods of the loans range from a short 5 days to 5 months. While the total volume of funds in the municipality has not expanded, many enterprises acutely short of cash have been able to meet their fund requirements by making full use of funds which would otherwise have been idle temporarily. For example, the Hongkou District

office of the Bank of Industry and Commerce extended to Luwan District a 10 million yuan loan, thus solving in time the financial problems of the light industrial sector in acquiring product materials this year and next. The effect on production has been positive.

To adapt to the development of a commodity economy by enabling the buyer to make payments at scheduled intervals in accordance with his specific circumstances while making sure at the same time that the seller is paid on time, the Bank of Industry and Commerce has offered discounting services starting in the second quarter. By late September, it has handled 2,769 cases of commercial note discounting worth 775 million yuan in all. Moreover, the Agricultural Bank decided the other day to expand the scope of discount services and lower the discount rate. All industrial and commercial enterprises in the municipality and outlying areas can apply to the Agricultural Bank for note discounting, regardless of where they maintain their accounts. The discount rate has been lowered by 0.3 percent. To support various specialized banks in launching this service, the municipal People's Bank recently began offering rediscount services, with interest rates varying in accordance with the maturing periods of the loans and the money supply. The bank now makes public its rediscount rates as well as the kinds of notes given priority and areas of concentration in fund use. Officials of the municipal Bank of China have told reporters that financial reform is inevitable and that they are actively making plans to further invigorate finance.

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INDUSTRY

DESPITE FLOODS, NORTHEAST CHINA INDUSTRY EXPANDS

OW040522 Beijing XINHUA in English 0254 GMT 4 Apr 87

[Text] Shenyang, 4 Apr (XINHUA)--Despite a serious flood the northeast China economic area still made great economic achievements last year, said an institute monitoring the area's economic development.

The statistics information center of the northeast China economic area reports the gross social output value of the area amounted to 253.13 billion yuan last year, up 12.9 percent over the previous year. The total industrial output value amounted to 178.92 billion yuan and the national income amounted to 99.63 billion yuan, up 8.7 percent and 13.6 percent respectively over the previous year.

The information center said in agriculture the area conquered the serious natural disaster caused by flood and total agricultural output value amounted to 32.21 billion yuan, up 7.3 percent over the previous year, exceeding the expected 5 percent. The total grain output amounted to 47.406 million tons, up 19.2 percent over the previous year. The output of pork, beef, mutton and the total output of aquatic products each increased by 7.3 percent and 16.6 percent over the previous year.

The northeast China economic area is composed by Liaoning, Jilin, Heilongjiang Provinces and eastern part of Inner Mongolia.

Northeast China has always enjoyed a reputation of having the "five major bases," namely, iron and steel, energy resources, machinery, forestry and grain. It has provided many important raw materials and heavy equipment.

The area also made much progress in foreign trade and technological cooperation. The total purchasing value of the export-oriented commodities amounted to 13.28 billion yuan in 1986, up 42.3 percent over the previous year.

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INDUSTRY

STEEL MATERIAL MARKET OPENS FOR ENTERPRISES

OW282346 Beijing XINHUA in English 1611 GMT 28 Mar 87

[Text] Shanghai, 28 Mar (XINHUA)--A steel materials market opened here today to provide another channel for Chinese enterprises to meet their steel needs, but prices will be much higher.

Like other major materials, steel used to be allocated by the state government and was not allowed to be sold on the market. At the end of last year, state authorities approved the establishment of steel market at Shanghai, Tianjin, Shenyang, Wuhan, Chongqing, and Xian as an important reform.

Zhou Xiaohong, deputy director of the Shanghai material supply bureau, told XINHUA that they will provide 950,000 tons of steel of various types this year, accounting for about one third of the city's annual consumption.

She said that in 1981, 79 percent of the city's steel supply was allocated under the state mandatory plan. But the percentage will drop to 40.8 percent this year. Therefore, many local factories had to seek steel from other regions which wasted time.

The Shanghai material supply bureau has managed to organize the surplus steel from various enterprises and steel makers inside and outside the city and sell them to buyers in all parts of the country.

"But the prices at the market are usually 80 percent higher than those set by the state," Zhou said, adding, "prices will fluctuate along as does supply and demand under the supervision of price control departments of the government."

"Purchasers who use the steel market here must consider the high cost of production and have to strive to improve their production efficiency," the official said.

The municipal authorities are also giving the markets preferential treatment, the official said.

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INDUSTRY

BRIEFS

TEXTILE INDUSTRY AIDS STRICKEN PLANT--Harbin, 31 Mar (XINHUA)--Textile departments and enterprises from various other regions of China have hastened to make equipment and provide materials for the Harbin linen spinning plant, which was damaged by an explosion last month. After the explosion, textile machinery plants in Shanghai, Foshan, Shenyang, and Changzhou immediately sent people to the plant, in this capital city of Heilongjiang Province, to find out what it needed to get back on its feet again. The Shenyang textile machinery plant sent two warping machines and 30 sets of necessary accessories to the plant by truck. The Wuhan textile machinery plant provided a dust filter and sent one of its deputy directors to help install the equipment. The textile departments and enterprises of Shanghai municipality, and Jiangsu, Hebei, Henan, Shandong, Hubei, and Shaanxi Provinces provided 20,000 pieces of raw cotton yarn. [Text] [Beijing XINHUA in English 1214 GMT 31 Mar 87] /9599

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AGRICULTURE

STRATEGIES, APPLICATION OF S&T TO AGRICULTURE VIEWED

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese No 6, 30 Dec 86 pp 1-11

[Article by Lu Liangshu [4151 5328 1859], Chinese Academy of Agricultural Sciences: "Some Tentative Ideas on Strategies for the Development of Agricultural S&T in China"]

[Text] China is one of the world's renowned countries with an ancient civilization. China's agriculture has a long history of nearly 10,000 years. There are 9.6 million sq km of land in the whole country; the climate is temperate and natural resources are abundant. The hard-working and intelligent Chinese people have lived and multiplied for generation after generation on this vast and richly endowed mother earth, and they have not only accumulated extremely rich experience in agricultural production but also have written an extremely illustrious chapter in scientific experimentation. Since the founding of the Chinese People's Republic, both China's agricultural production and agricultural science have scored even greater achievements under leadership of the CPC and the PRC Government, particularly since the 3d Plenum of the 11th CPC Central Committee in 1978 when the correct party line was reestablished and all of the party's plans and policies came to be conscientiously carried into effect. Agriculture is the foundation for the entire national economy and science and technology is the power of productivity. In today's world, all the countries of the world are engaged in great economic competition; it is a time of two great challenges when great contests of strength and a new technological revolution are rapidly unfolding on a worldwide scale. In view of China's realities, efforts to build up agricultural science holds major strategic significance for accelerating the realization of a quadrupling China's GVAO by the end of the present century and for meeting the two aforementioned challenges.

I. Achievements of China's Agricultural Science

Since the founding of the PRC, China's agricultural science has scored outstanding achievements in numerous areas. These have been manifested largely in the following several ways:

1. Agricultural Research Organizations. Since founding of the People's Republic, thanks to the first and second 5-year plans and particularly the 11th Plenum of the 11th CPC Central Committee, China's scientific endeavors have developed very quickly. Agricultural scientific research, promotion and educational systems in keeping with China's realities and with a distinctive Chinese character have been preliminarily established throughout the country. Science and technology committees responsible for centralized coordination and authorized control in pertinent S&T areas have been established at the national, provincial, prefectural and county levels of government. Departments in charge of agriculture at these four levels have also established corresponding organizations for the administration of agricultural S&T work that are specifically responsible for the centralized coordination and authorized control of agricultural S&T work. In the agricultural S&T system itself, following formal establishment in 1957 of the Chinese Academy of Agricultural Sciences, the Chinese Aquatic Products Scientific Research Institute, the Chinese Agricultural Projects Research and Designing Institute, and the South China Tropical Crops Research Institute were established at the national level under leadership of the Ministry of Agriculture, Animal Husbandry, and Fishery. The Chinese Forestry Scientific Research Institute was also established under leadership of the Ministry of Forestry. Each province, municipality and autonomous region also set up agricultural science academies (farming, forestry, and animal husbandry academies in a minority of provinces), and they established directly subordinate specialized research institutes as their own circumstances and needs dictated. According to 1983 statistics, there were 1,089 farming, animal husbandry and fishing industry scientific research units at the prefecture level and above throughout the country with 132,000 staff members and workers including more than 42,000 S&T personnel. This included 59 scientific and research units at the national level with more than 15,000 staff members and workers including nearly 7,000 S&T personnel; 359 scientific research units at the provincial level with more than 63,000 staff members and workers including more than 20,000 S&T personnel; and 671 scientific research units at the prefecture or municipal level with more than 54,000 staff members and workers including more than 15,000 S&T personnel.

2. The Agricultural Promotion System. Statistics for 1983 show more than 48,000 organizations for the promotion of agricultural techniques in the farming area throughout the country including the provincial, prefectural, county, district, and township level (including organizations for the promotion of specialized skills having to do with seeds, plant protection, soil fertility, and cash crops). These organizations had more than 220,000 staff members and workers. In addition, various kinds of agricultural technical service organizations and more than 2 million peasant technical personnel have preliminarily established a corps for the promotion of agricultural techniques in which a combination of the state, collectives and peasant households participate. There are also more than 60,000 animal husbandry veterinary stations, domestic livestock improvement stations and grasslands work stations nationwide (at the provincial, prefecture, county, and township levels) with more than 300,000 staff members and workers, more than one-third of whom are S&T personnel. There are more than 40,000 personnel engaged in the promotion of techniques in the state farm and land reclamation system, and more than 1,000 experimental stations responsible for promotion

work that employ more than 4,000 S&T personnel. In the farm machinery area, there are more than 1,900 farm machine technical promotion organizations of various kinds with staff members and workers numbering more than 18,000, including more than 8,500 S&T personnel. In the realm of administration and management, there are more than 13,000 county and township agricultural cooperative administration and management service organizations having a total of more than 2 million state and collective administrative and managerial personnel.

Statistics from the various foregoing industries show more than 370,000 state technical personnel, plus a total of more than 4 million peasant technical personnel and administrative and managerial personnel. This huge agricultural S&T corps is the country's main force for spreading agricultural S&T, enabling advanced science and technology to be translated rapidly into productivity.

3. Thanks to the painstaking labors of the broad masses of agricultural S&T personnel, China's agricultural research work has scored extremely copious and substantial achievements. Statistics show more than 3,000 S&T achievements in the farming, animal husbandry, and fishing industry as having been recommended by all jurisdictions at the 1978 national science conference. During the Sixth 5-Year Plan, another 1,072 scientific research achievements of various kinds were made. These included 47 that received national invention awards, two that received national natural science awards, 119 that received national S&T progress awards, 171 that received departmental S&T progress awards, and 733 that received departmental technical improvement awards. Not only were these scientific research achievements at a fairly high technical level, but they generated very great economic benefits in production. Of the 32 scientific research achievements that the First National Invention Exhibition announced as having produced economic benefits of 100 million yuan or more, 21, or 65.6 percent, were in the field of agriculture; ranked in terms of size of economic benefits, the first 9 were in agriculture. It has been estimated that 19 major S&T achievements of units such as the Agricultural Economics Research Institute of our academy in hybrid long-grain rice ground-mulch cultivation techniques have produced more than 10 billion yuan annually in economic benefits. An estimate of achievements figured in various ways shows approximately 30 to 40 percent of increased agricultural yields during the Sixth 5-Year Plan period to have been attributable to agricultural S&T. As a result of the promotion for use in agricultural production of modern scientific research achievements and advanced techniques, China's output of grain, cotton, oil-bearing crops, natural silk, pork, beef and mutton, milk, eggs, and aquatic products and of township enterprises created all-time records. The speed of increase in the GVAO averaged more than 10 percent annually, greatly surpassing the "guarantee 4 percent and strive for 5 percent" growth requirements of original plans. One might say that the Sixth 5-Year Plan period was the best one since founding of the People's Republic in terms of all-round, consistent and tremendous increases in agricultural production.

II. Strategic Goals in the Development of China's Agricultural S&T

The people of the country are engaged in the great cause of carrying out the four modernizations. The building of the economy must rely on S&T, and S&T must be oriented to the building of the economy. Agriculture is the

foundation of the national economy. The development strategy for China's agricultural S&T should tightly center around doing work for the magnificent goal of the four modernizations, achieving vigorous development on the track of realizing this magnificent goal and ushering in a new situation in China's agricultural S&T and in its agricultural production.

Combining China's Traditional Experience in Intensive Farming With Modern Science and Technology To Serve the Realization of a Quadrupling of the National GVIAO.

The 12th CPC Congress proposed the strategic goal for development of the whole national economy of quadrupling the GVIAO during the 20 years between 1981 and 2000. After repeated study and argumentation based on China's realities, the Ministry of Agriculture, Animal Husbandry, and Fishery proposed the strategic goal of "a quadrupling in agriculture to insure a quadrupling of the annual GVIAO." Using this strategic as a basis, it further decided norms for each of the major agricultural products during individual stages of agricultural production, namely that in 1990 and in 2000, gross output of grain was to reach 450 million and 515 million tons, cotton was to reach 4.75 million and 5.5 million tons, oil-bearing crops was to reach 17.5 million and 21 million tons, meat was to reach 23 million and 30 million tons, eggs was to reach 7 billion and 15 billion tons, and milk was to reach 8.5 and 36 million tons, respectively. Corresponding development was to be achieved in economic diversification, breeding industries, forestry, and processing industries. After the above goals are realized, on the basis of a population of 1.12 billion in the year 1990, the amount of grain per capita would be 400 kg, cotton 4 kg, edible cooking oil 4 kg, sugar 5.8 kg, meat 19.2 kg, eggs 6.25 kg and milk 7.6 kg. On the basis of a population of 1.2 billion in the year 2000, grain per capita would be 416.5 kg, cotton 4.15 kg, edible vegetable oil 6.5 kg, sugar 10 kg, meat 25 kg, eggs 12.5 kg and milk 30 kg. A look at the actual situation for the past few years shows that thanks to the general promotion throughout rural China of contract responsibility systems linked to output, which stirred the broad masses of the peasants to be productive, to study science and to use science in the building of socialism, all rural China is advancing toward commercialization, specialization and modernization. The tenth 5-Year Plan is a key period for China's rural economy to lay a foundation to increase reserve strength and to link what has gone before with what is to follow. It holds extremely important strategic significance in relying to reliance on policies and science, for further improvement of production conditions, for promoting all-around agricultural growth, and for giving impetus to the sustained, stable, and coordinated development of the national economy. In order to insure that during the next 15 years all agricultural production will continue to maintain or surpass the fine situation of the past several years, to spur victorious realization of overall goals in building the whole national economy, and to create conditions for the realization of even longer range goals, China's agricultural science must focus closely on the nucleus of increasing yields, quality, gross output and output value, emphasizing efforts in the following several regards:

First is intensification of research on the general preparation and development of key areas to build modern, consistently high-yield premium-quality commodity bases, using surveys of natural agricultural resources and

preliminary agricultural zoning studies as a basis for selecting those areas that have a far-reaching influence on the whole country and that have a great potential for increased yields for the building of modern, consistently high-yield, premium-quality commodity bases. Technical plans should be proposed for general preparations and the building of modern commodity bases based on different local features and by establishing model test areas and striving to make them a reality.

Second is an intensification of research on ways to protect the ecological environment, building highly efficient organizations that are able to produce. This entails directed surveys and systems engineering studies of various production models for different areas, and preparation of technical plans for the revival and development of a fine ecological environment, to enable the country's agricultural production to be founded on a fine ecological environment in which materials can be recycled, energy can be effectively used, resources can be reproduced and soil fertility can be increased.

Third is intensification of research on high-yield, premium-quality, low-consumption, fully complete technical systems. Since the 1960's, one of the developing areas of world agricultural production that has most attracted attention has been the widespread application of artificially regulated fast-growing high-yield techniques. However, these techniques occasion high energy consumption and high costs. We should benefit from the lessons of experience in studying high-yield, premium-quality, low-consumption technical systems using primarily biotechnology that are suited to China's circumstances to enable China's agriculture to maintain high yields in a highly efficient and highly beneficial way.

Fourth is intensification of research for comprehensive prevention and control of droughts, waterlogging and freeze damage, and of harmful organisms to insure safe and steady increases in yields. Since China's geographical location is subject to monsoon winds and a continental climate, droughts, floods and waterlogging, and low temperatures with freeze damage sometimes occur. Prevention of these natural disasters should be handled as a long-term strategic research task. Inasmuch as damage is serious from diseases, insect pests, weeds, and rats and since year-after-year use of insecticides and herbicides for prevention and control occasions environmental and product pollution and an increase in the resistance of harmful organisms, there should be greater study and use of various kinds of biological, physiological, and chemical techniques for all-round prevention and control in order to reduce damage, avoid pollution and reduce economic losses.

Fifth is intensified study of techniques for storing and transporting agricultural and sideline products, for processing them in the producing areas and for using them in multiple ways. To one degree or another, the production of agricultural and sideline products is spread over a wide area and they are prone to rot or damage. Because of the present lack of suitable and advanced processing, storage, and transportation techniques as well as small machines and tools, many products have rotted in the areas where they have been produced, and in some cases they have deteriorated to a certain extent before going into cities or before being put into storage or hauled away. Solution to this problem requires increased study of techniques for processing to maintain

freshness, storage, packaging, and multiple ways of using aquatic products, and figuring out numerous ways in which to use discards and sideline products, to change the situation of shipping crude materials to shipping either refined materials or semi-processed or processed products.

Sixth is intensified comprehensive macroscopic research on a development strategy for agriculture. Strategy and macroscopic research work are not frills; they are indispensable. Since founding of the People's Republic, several major mistakes have been made in building the economy, some of them mistakes in macroscopic strategy. We have had quite a few bitter lessons in this regard. At the present time, in particular, when reform of China's rural villages is entering a new stage in which readjustment of the structure of rural industry is the main component, we should do what present circumstances dictate while keeping our eyes on the future, devoting serious attention to an agricultural development strategy that takes the whole situation into account and to comprehensive macroscopic research.

Seventh is intensified research on basics, on the application of new techniques and on theory in order to open new avenues for increasing agricultural production. Regional experimental networks for different varieties of produce, experimental networks for fertilizer, experimental networks for agricultural insecticides, experimental networks for cultivation techniques, and fixed observation points for the observation of disease and insect pest growth and decline, and for information about agricultural matters should be set up in different areas in order to provide reliable and systematized basic data to all areas for the development and formulation of zoning and planning.

B. Establishment of Appropriate Specialized, Commercialized and Modernized High-Yield, Premium-Quality, High-Efficiency, Low-Consumption Agricultural Technology Systems for a Change in the Situation of 800 Million Peasants Working To Get Food To Eat

In view of the magnificent strategic goal for the building of a socialist society modernized in four ways that has been put forward by the central authorities, once a comfortably well-off standard of living has been attained through the quadrupling of the national GVIAO, we have yet a second strategic goal, namely the one pointed out on 22 December 1984 by Comrade Deng Xiaoping in a "Speech to the Second Plenum of the Central Advisory Committee" when he said, "Quadrupling has yet another important meaning, namely that it is a new starting point. In another 30 to 50 years time, the level of economically developed nations can be approached, not their system, but their levels of production and standards of living. This is a possible, a visible and a tangible thing." Very clearly, victorious realization of this second strategic goal will likewise require a genuine rise in agriculture. Statistics from departments concerned show between 80 and 85 percent of the products currently consumed by residents of cities and the countryside throughout the country to be agricultural products and industrial goods for which agricultural products served as raw materials. Of the total retail sales of consumer goods throughout the country, between 70 and 75 percent were agricultural products and industrial products that derived from agricultural raw materials. For a considerable period of time, between 50 and 70 percent of

total export products have been agricultural sideline products and products processed from them. A more than 30-year history tells us that when agriculture prospers, our lives are good, and whenever agriculture declines or stagnates, our lives are hard. A look at today's situation shows that there is still a wide gap between China's agricultural production and that of the world's economically developed countries. Not only are per capita quantities of very many products very much lower than elsewhere, but an overwhelming majority are primary goods, the output value of which is very low. At the same time technical equipment is also poor and labor productivity rates low. Experiences since the 3d Plenum of the 11th CPC Central Committee demonstrate fully that development of agriculture requires reliance first on policies and second on science. Therefore, a change in this state of affairs will require not only continuous and conscientious implementation of a series of correct party plans and policies, but will also require, first of all, serious attention to the transfer of S&T achievements, translating them into productivity as quickly as possible. The following 10 S&T achievements are generally currently suitable for wide area promotion and use: First is techniques that apply mostly to farm crops for obtaining consistently high yields from cultivation and for tackling cultivation problems in a comprehensive way. Second is the building of a sound fine-breed breeding system at the county level for livestock and farm crops, adapting general methods to local situations for the spread of various fine varieties and hybrids. Third is the use of a combination of organic and inorganic fertilizer, promoting scientific fertilization techniques as soil and crops require. Fourth is new irrigation techniques for increasing yields and conserving water through the building of farmland and the equipping of field projects. Fifth is techniques for increasing agricultural yields from drylands through a combination of traditional experiences and modern science and technology related to areas having varying amounts of precipitation. Sixth is the spread of multiple prevention and control techniques for farm crop diseases, insect pests, weeds and rats and for epidemic diseases of livestock. Seventh is techniques for the transformation of low-yield fields. Eight is cultivation techniques using ground mulch and large plastic enclosures. Ninth is energy-saving farming techniques that use a combination of medium and small multipurpose machines. Tenth is an integrated system of multi-form, multi-crop farming techniques. Next, vigorous efforts must be made to develop corresponding newly emerging sciences and to build a suitably specialized, commercialized, and modernized high-yield, premium-quality, high-efficiency, low-consumption modernized agricultural technical system. For example, though the country's gross output of grain for 1984 reached more than 405 million tons, the highest in the world; nevertheless, this was only 400 kg per capita. Grain output must be increased further. But a rise in gross output of grain requires, first an expansion of the growing area and, second an increase in yields. China offers little potential for the first. Opportunities lie mostly in increasing the quantity and quality of yields per unit of area. Increase in yields depends on progress in science and technology. As another example, if we want to expand the growing of high-yield, premium-quality paddy rice and wheat and corn with a high lysine content as well as "twin low" rapeseed that yields fine quality oil, and cotton with high tensile strength fiber and good quality, this will require not only advances or breakthroughs in crop-breeding science but also developments in agriculture. Greater production of lean-meat hogs, the development of high-yield milk cows and fine-quality beef cattle,

and the growing of hens that produce many eggs is inseparable from animal husbandry, the study of poultry, and the study of feeding. Production of more fresh fish, fresh prawns, fresh crabs, and such aquatic products must depend on the development of aquacultural science. The processing of primary products into refined products that can be readily transported and marketed will also depend on the study of fabrication techniques for agricultural products, etc. In the modernization of agriculture, the early period of the industrial revolution and the rise of capitalist industrialization in Europe were predicated on agricultural bankruptcy. Our methods are poles apart from those of capitalist countries and follow a course of joint prosperity for cities and the countryside alike. By this is meant the constant readjustment of the structure of rural industry and a steady rise in the level of agricultural mechanization to allow a steady rise in the agricultural labor productivity rate, thereby gradually shrinking the work force engaged in farming to 30 percent of the total rural work force. The remaining 70 percent rural surplus labor is to leave the soil without leaving the countryside in a gradual shift to other occupations outside of agriculture in the local area in order to change the situation that has endured for a long time in China of 800 million peasants engaged in the production of food. Study of these various kinds of problems, the promotion of joint economic prosperity for the country's cities and countryside and gradual narrowing of the gap between cities and the countryside not only bears on many scientific disciplines including the natural sciences, but also bears on the social sciences and economics and agricultural systems engineering. The history of world evolution shows that advances in science and technology have powered the development of production, and the steady development of production has constantly produced new sciences in turn. Agriculture is a combination of natural reproduction and economic reproduction. Steady advances in agricultural science and technology power steady development of agricultural production; conversely steady advances in agricultural production spur further steady advances in agricultural science. They are mutually complementary and give impetus to steady advances by society as a whole.

C. Greet the New Technological Revolution by Establishing Knowledge-Intensive Agriculture To Spur the Country's Agricultural Production To Attain Higher Levels

In the world of today, science and technology gives impetus to mankind's social progress on an unprecedented scale and speed. Competition among the countries of the world is, to a very large extent, competition in economic strength. In turn, competition in economic strength is, to a very large extent, competition in science and technology. The steady development of new technology and the shortening of the cycle for replacing technology represents a serious challenge for us.

The new technological revolution is characterized by the widespread application of new technologies including electronic computers, genetic engineering, optical fibers, lasers, new materials, and marine exploration. Its accomplishments will bring about giant strides in social productivity. The parts of this technological revolution that are most closely related to agriculture are biotechnology and electronic computer applied technology. Some people think that the 21st century will be an era of a technological

revolution in biology, or a century in which biotechnology plays a leading role. We must take a firm grip on this opportunity, make plans to deal with it, meet the challenges and move forward to new accomplishments.

In recent years, economically developed countries have devoted extremely serious attention to the development of biotechnology, and they have made forecasts about the scale of production and the size of the market for the future products of biotechnology. For example, some people have forecast that by 2000, the market value of products resulting from the use of biotechnology will amount to \$160 billion in the United States and Western Europe alone, and that by that time a change will have been made to the use of biotechnology for the production of more than 80 percent of many products. Countries are drawing up commensurate plans of action on the basis of these forecasts such as assigning a priority place to biotechnology in their country, and drawing up 5-year or 10-year development plans; establishing nationwide biotechnology committees to draw up policies and coordinate activities; and appropriating large sums to support research on biotechnology, establishing research centers and training specialists. Some countries have adopted policies providing exemption from taxes or tax credits to encourage investment by enterprises and private individuals. In America alone today, there are more than 150 gene engineering companies. Currently, approximately 300 companies are engaged in research on the utilization of living organisms, and from 1973 through 1977 \$64 billion was spent on biotechnology throughout the world. Some preliminary results have been obtained abroad in this regard. For example, string bean genes have been transferred to the cells of sunflowers, tobacco, and carrots, thereby increasing by more than eightfold the resistance of those plants to kanamycin as compared with similar plants. Tissue-culture methods have been used to produce ginseng, lichees, strawberries, and flowers, and biological engineering has been used to produce large quantities of inexpensive hormones, vaccines, and antibodies. For example, biological engineering has been used to manufacture insulin for the treatment of dysentery in cattle and sheep; gene recombination techniques have been used to produce interferon, and biological engineering has created various kinds of growth hormones, hepatitis vaccines, hoof and mouth disease vaccines, bacterial disease monoclonal antibodies, and various kinds of vitamins. Some products are being clinically tested and a few have gone into commercial production. In addition, certain advances have been made using biological engineering in single-cell livestock fodder production, in research on biological nitrogen fixation and in agricultural environmental protection.

China has already undertaken wide-ranging research in tissue culturing, anther culturing, and haploid and polyploid breeding, scoring some preliminary results in production. An example is anther culturing to produce more than 40 new varieties of wheat, paddy rice, and tobacco that have been promoted in production; tissue culturing for quantity production of sugarcane seedlings and flowers, techniques now used in production; chromosome engineering to induce more than 40 kinds of stable polyploid and triploid rubber, some of which exhibits high disease resistance. China's work in this regard holds a leading position in the rubber industry internationally. In animal husbandry, artificial insemination of cattle and sheep as well as embryo transplant techniques have been successful in China and are in process of being organized for promotion and use in production. First steps have been taken in protoplast

separation, cell fusion, and veterinary medicine vaccine gene engineering. Research on biological nitrogen fixation is continuing. In summary, current projects relate to the specialized individual fields of farm crops, horticulture, plant protection, animal husbandry, veterinary medicine, and aquatic products, each of them involving research work at the molecular and cell level oriented toward applications in agricultural production. During the past several years, the world has devoted increasing attention to techniques for applying computers, particularly microcomputers, to agriculture, and greater development will occur in the future. In countries that are relatively advanced in work on the application of computers to agriculture, such as the United States, Japan, the United Kingdom, Canada, and the Netherlands, a trend to use microcomputers in agriculture has appeared. In planning the growing crops, the feeding of domestic livestock, and the harvesting of grain crops, the tide of agricultural automation in using electronic computers to control environment and raise productivity is in the process of bringing about a revolution in Japanese agriculture. Quite a few countries have already widely applied microelectronic computers and remote-sensing techniques to surveys of agricultural resources, gauging yields and analysis and storage, as well as to agro-economics information systems, single-item agricultural production control, and organizational administration and management work. It may be foreseen that the widespread application of agricultural computers to agriculture will tremendously influence world agriculture.

China's first steps in biotechnology and the application of electronic computers have been taken fairly late; nevertheless, a certain basis now exists. In a report to the Second Academic Committee of the Chinese Academy of Agricultural Sciences, renowned scientist Comrade Qian Xuesen [1929-1971, 2773] put forward the thesis that "the sixth industrial revolution will be in agriculture-type knowledge-intensive industry." He suggested making up the lessons missed in the fourth industrial revolution and taking a firm grip on this new technological revolution, paying attention to the agriculture estate, the forestry estate, the grassland estate, the ocean estate, and the desert estate, making all agriculture into a knowledge-intensive estate. I heartily agree with this concept.

The so-called knowledge-intensive estate means using all science and technology in production and reliance on a high degree of science and technology in carrying out production. Since the founding of New China, thanks to the arduous struggle of the people of the whole country and especially of the broad masses of S&T personnel working under the leadership of the Communist Party of China, China's S&T endeavors in agriculture and forestry, and particularly in national defense industries, have conquered one post after another and have scored numerous major breakthroughs. However, there are still numerous new techniques, new technologies, and new materials useful for agriculture that have not been transferred to agriculture and that have yet to play the roles they should. If these new techniques can be transferred rapidly to agriculture and a firm grip taken on the opportunity that the world technological revolution provides, concentrating the modern new techniques, new technologies, and new materials on agriculture, the country's agriculture will certainly develop very greatly. The great developments in agriculture will certainly give impetus to the country's agricultural science and technology in scaling new heights!

III. Actions for the Realization of Strategic Goals for the Development of China's Agricultural S&T

The fundamental key to the building of socialism is vigorous development of social productivity. Agricultural S&T is an extremely great latent productive force. A summarization of historical experience, particularly the positive and negative experiences of the more than 30 years since founding of the People's Republic, and reference to China's circumstances show that for China's agricultural S&T to develop rapidly and to gradually enter the advanced ranks of the world, strategically speaking, a conscientious job has to be done in the following several regards:

A. Value Knowledge, Value Science, Value Talented People, Esteem the Development of Intellect and Make Full Use of the Intelligence and Wisdom of S&T Personnel

Knowledge is power. S&T personnel are the developers and important representatives of the new productivity; they are the backbone of modernization. With the rapid development of the world's new technological revolution and on the road of great competition in building the world's economies in which every second counts, every country is facing the seriously challenging question of whether it will be able to shorten the gap and move ahead or whether the gap will widen and it will be tossed to the rear. Ability to truly value knowledge, value science, value talented people, and esteem the development of intellect, to raise the general educational level and the technical level of the Chinese race is the key that determines whether one will be able to gain time and achieve victory in this competition. Therefore, any fairly economically developed country or any country that strives to stand on its own two feet has no choice but to regard this issue as one of specially great importance in its economic development and if it is to score major achievements.

We should move right ahead. It has been estimated that only 5 percent of the national economic growth of economically developed countries during the early 20th century was attributable to applied science and technology, but by the end of the 1970's, applied science and technology played a 50- to 80-percent role. Statistics show that from 1921 through 1972, both the 81-percent growth value and the 71-percent increase in the labor productivity rate of American agriculture were attributable to the promotion of agricultural S&T. One of the main reasons for the rapid revival and development of Japan's agriculture during the past 30 years has been the especially serious attention given to the training of people skilled in agriculture and the serious attention given the development and application of agricultural S&T. Today, the countries of the world are devoting extremely great attention to people skilled in agriculture and agricultural S&T. Expenditures for agricultural research in the United States have been approximately slightly more than \$2 billion per year in recent years, and another more than \$200 million has been spent on the promotion of agricultural techniques. Forecasts made on the basis of extrapolations from current investment in agricultural research and education show that by 2025 America's agricultural production efficiency rate may reach 60 percent. Other economically developed countries have also invested large

amounts of manpower and financial resources in the strengthening of agricultural research. In Japan, expenditures for agricultural research amount to 5.05 percent of total national expenses for scientific research. In the USSR, the figure is 8 percent; in the United Kingdom, 8.9 percent; and in Hungary, 9.3 percent. China's expenditures for agricultural research amount to only between 3 and 4 percent of all national expenditures for scientific research, or only approximately 0.1 percent of the GVAO. In terms of the number of personnel engaged in scientific research, approximately 40 percent of the peasants in rural China have a primary school education and 30 percent are illiterate or semiliterate. Only one of every 10,000 members of the rural population has a college education, 1.5 have a secondary technical school education, 0.49 are agricultural S&T personnel, and 1.69 are engaged in agricultural promotion work. In Japan, however, 1977 data show 20.8 people per 10,000 rural population as being agricultural S&T personnel and 6.8 as being engaged in agricultural promotion work. Among the peasant population, 19.4 percent are primary school graduates; 74.8 percent are senior middle school graduates, and 5.8 percent are college graduates. China lags far behind by comparison. Without first-rate talent, it is very difficult to achieve first-rate results in scientific research. Therefore, we must value knowledge, value science, value talented people, and make sure that mental labor is given the high position it deserves. During the Seventh 5-Year Plan, the 70 agricultural institutions of higher learning and the 368 secondary agricultural schools should continue to be operated and new specialized fields of study correspondingly increased; the number of graduate students and doctoral students should be expanded for the training of people with specialized skills at all levels and of all kinds. Some ordinary rural middle schools should be converted to agricultural middle schools to train a certain number of new-style peasants with agricultural knowledge and production skills. Efforts should be made to have two people per 10,000 mu of cultivated land and 1.5 technical veterinary personnel per 10,000 livestock engaged in the promotion of agricultural techniques by 1990. Additionally, we should use various means to raise the general level of education and scientific knowledge of all the people as quickly as possible. Agricultural research units should emphasize as a priority matter the training of the following five categories of talent: First is leaders in specialized fields; second is scientists possessing broad knowledge and a strategic view; third is various kinds of managerial talent in scientific research and administration; fourth is talent skilled in specialized techniques, including the repair, use, and care of instruments and equipment, and technical personnel skilled in financial and materials management, and in laboratory and field experimental procedures; and fifth is S&T developmental personnel with specialized knowledge and operational ability.

Special consideration should be given to S&T talent in their working, political, and daily lives, and their social standing should be raised. Real action should be taken in these regards rather than simply paying lip service to them. The CPC Central Committee is extremely attentive to this issue. "Decisions on Economic System Reforms," which was passed by the 3d Plenum of the 12th CPC Central Committee on 20 December 1984 said: "The Central Committee has repeatedly noted the need to value knowledge and value skilled people in socialist modernization and to struggle against all thinking and behavior that undervalues science and technology, undervalues the development

of intellect, and undervalues intellectuals, to resolutely correct prejudices that continue to exist in many places, to take effective action to raise the social standing of intellectuals and to improve their work conditions and their pay and emoluments." In addition, we have to encourage and mobilize the broad masses of intellectuals to work in hardship areas, helping these areas rid themselves of poverty and become wealthy as quickly as possible. On 7 March 1985 at the National Science and Technology Work Conference, Comrade Deng Xiaoping pointed out once again: "The matter that concerns me most is still talented people." "Adeptness in spotting talented people, in organizing talented people and in using talented people is a major indicator of a leader's competence." Therefore, everyone should conscientiously carry out this instruction. In addition, units engaged in agricultural research should create a fine environment and conditions for talented people who demonstrate outstanding ability and contributions. Middle-aged and young S&T personnel should respect old comrades and openmindedly learn from them. Old S&T workers should also provide enthusiastic support to the training of middle-aged and young S&T workers. They should encourage them to innovate courageously in academic matters, dare to express their own academic proposals, and help them surpass the old S&T workers themselves in academic matters. Just as the indigo blue that is extracted from an indigo plant is bluer than the plant it comes from, so should pupils surpass the master and move to new heights. Only in this way can the "four modernizations" have a solid foundation, science develop steadily and society constantly move ahead.

B. Reform the Agricultural S&T System; Vigorously Pioneer Agricultural S&T Markets, Make Scientific Research and Production Advance Each Other and Develop in Common

Since the founding of the People's Republic, the country's farflung S&T personnel have rendered major contributions to the building of socialism, and very great strides have been made in the country's S&T endeavors. However, the existing S&T system lacks vitality in orienting toward the building of the economy. The intelligence and creative capabilities of S&T personnel do not find the application that they should and S&T work is a long way from being able to meet needs in the swiftly developing objective situation. Consequently, the CPC Central Committee has decided to reform the existing S&T system. The focus of this reform is on the following: In the operating mechanism, there is a need to reform the system for the disbursement of funds, for opening technical markets, for overcoming sole reliance on administrative methods to manage S&T work, and too much state involvement and stifling control. Simultaneous with the institution of plan control over key state projects, economic levers and market control should be employed to imbue S&T organizations with the ability to develop by themselves and have the vitality for spontaneously serving in building the economy. In the organizational area, the too great mutual separation of research organizations and production enterprises, disjointedness in research, designing, education, and production, separation between the armed forces and the civilian sector, separation of departments from each other, and separation of areas from each other have to be changed. Vigorous efforts have to be made to enhance enterprises' assimilation of technology, their ability to initiate, and their intermediary role in the translation of technological achievements into productivity, and to increase cooperation and coordination among research organizations,

designing organizations, institutions of higher education and industrial enterprises, S&T forces from all areas forming a rational deployment in depth. In the area of the personnel system, "leftist" influences have to be overcome and the situation turned around in which S&T personnel are restricted too much, talented people are unable to move from one position to another in a rational way, and those who work with their brains are not accorded the respect they deserve, a fine environment created in which people of talent come forth in large numbers and perform to the full extent of their abilities. Agricultural science is an aggregate system in the life sciences possessed of the following characteristics: First, it has a fairly long experimentation cycle. The breeding of a new variety of open-field crop takes a minimum of 5 or 6 and as much as 10 years or more. The selective breeding of a fine breed of domestic livestock frequently requires 10 to 20 years. Statistics show that agricultural technology improvement projects awarded a merit citation first-class required an average of 13 years to develop; those awarded a merit citation second-class took 9.5 years; those awarded a merit citation third-class took 6 years; and those awarded a merit citation fourth-class took 3 years. Second, there are diverse ways in which S&T results are commercialized. There is the conversion of results into material as is the case, for example, with fine seeds, nursery stock, stud cattle, stud poultry and new pesticides, vaccines, farm machinery, and testing devices. There are results requiring no conversion into materials, such as crop planting techniques, livestock and poultry feeding, and techniques for the prevention and control of diseases. There are results of a service and public-benefit nature, such as surveys of agricultural natural resources, agricultural zoning, strategies for the development of agriculture, and macroeconomic management software research as well as tasks involving information and books. There is usually no technical market for results of these kinds. Third is those having a broad application. The targets of research here are living animals and plants, inanimate soil and minerals, agricultural products, and the science of economics. To a very large extent, these are restricted by climate and soil conditions and are strongly regional. Fourth, once an overwhelming majority of results have been translated into productivity, they show up mostly in overall benefits for society. For example, the seven new varieties of kale developed by the Vegetable Research Institute of the Chinese Academy of Agricultural Sciences were spread over a 2.5 million mu growing area between 1978 and 1983, each mu producing an average 20-yuan increase in earnings for earnings totaling 250 million yuan, or more than 490-fold the total amount invested in research. However, the institute realized only 10,000 yuan, or only .004 percent of total earnings from the sale of seeds. In terms of the foregoing characteristics, agricultural scientific research may be capsulized under three categories as follows. The first is applied basic research. This entails the use of scientific principles to explore an organism's inherent laws and is directed toward specific goals. Examples include the origin, evolution, and classes of farm crops, increase in crop utilization of light energy, crop resistance mechanisms, principles of immunity and agricultural biotechnology. The second is applied research. By this is meant the development of theories and laws to an applied stage to attain a designated goal in order to create new scientific research achievements and to open up new technical fields and technical methods. Examples include the selective breeding of hybrid paddy rice exhibiting strong heterosies and research on the nurture of soil fertility and all-around techniques for the prevention and

control of diseases and insect pests. The third is developmental research. By this is meant the use of results of basic research and applied research to carry out technical development for a practical goal in order to achieve an expansion of applied results. Examples include crop nutrition diagnostic methods and fertilizer-application techniques and techniques for matching fine varieties and fine methods. Additionally there is work of a basic nature and of a service nature. Examples include soil surveys and area experiments with varieties, chemical fertilizers and agricultural pesticides, surveys of natural resources for agriculture, agricultural zoning, etc. However, the different kinds of research are closely related and interrelated; all are indispensable. If attention is given only to basic research to the neglect of applied research and developmental research, no marked economic or social benefits can derive from scientific research work. Conversely, if basic research is neglected, the levels of applied research and developmental research cannot be lifted; they will become "water without a source," lacking "reserve strength," and of no benefit to advances in agricultural production in breadth and in depth. In today's world of swift advances in modern science and technology, this point is a particularly prominent one. It is for just this reason that developed countries have long made agricultural research, particularly basic research and applied research, an important national endeavor, providing energetic support in funds and manpower.

In view of the focus of reform of the S&T system and the characteristics of the agricultural S&T system in the whole country, during the course of the present reform of China's agricultural S&T system, in addition to a diligent readjustment and reform of the structural organization for the elimination of both the separation of some departments and of vertical and lateral compartmentation, the principles of concentration of forces, provision of tailored guidance and building level by level have to be followed to promote various kinds of integration, cooperative divisions of labor and attention to key questions for the development of various forms of specialized and general research. For example, the Chinese Academy of Agricultural Sciences and other top-level research institutions should engage mostly in applied research and applied basic research, and should also devote attention to developmental research. They should play a role in research of an overall, key, and basic nature, with the emphasis on solving S&T problems of major economic benefit in agricultural production nationwide, and strive to do work that serves the whole country. Provincial level agricultural research organizations should do mostly applied research and developmental research; where conditions permit, some state projects should be taken on. Prefecture (or municipal) level agricultural S&T organizations should mostly engage in development research having to do with the economic zoning of agriculture and a rational pattern for the agricultural ecology. Institutions of higher agricultural education should do mostly applied basic research. Agricultural S&T organizations at all levels should further closely correlate scientific research and production by reforming their S&T systems, readjustment of the orientation of their research, inventorying of research topics, improving management and strengthening organization. The makeup of some agricultural S&T systems that do not meet the needs of the new situation should be gradually readjusted.

At the present time, only approximately 400 million yuan is spent annually on agricultural research throughout the country. This is far from meeting needs

for smooth development of agricultural research. Therefore, during system reform, the following measures should be adopted and gradually translated into action. First, a funding system and a contract system should be instituted for basic research and applied research and a group of projects selected for support that are the best, the most needed and the most important to play a major role in the modernization of agriculture. A compensation contract system should be instituted for developmental research and efforts made to increase income for a gradual strengthening of ability to cover expenses. The effort should be encouraged, competition carried out, and the passive situation that has long endured in agricultural S&T organizations of "eating out of a large common pot" abolished. Second, agricultural S&T organizations at all levels should establish a business psychology, receiving compensation for transfer of technology, for patented achievements, for technical services, and for technical consultation, etc. in order to expand their source of expense funds. Third, experiences in China and abroad suggest the collection of a certain percentage from the sale, purchase and export of agricultural, animal husbandry, and fishery products as fees for improvements to be used primarily for the expansion of agricultural research and technical improvements in a direct correlation of research and production. In addition, a certain percentage of increased earnings realized from increased yields of completed agricultural production projects should be collected for use in funding the development of agricultural S&T. Fourth, income from the commercialization of agricultural S&T should be tax free, or the period of exemption from taxation should be suitably expanded. Banks should give priority to loans for investment required for the development of agricultural technology and preferential conditions should be accorded. Sources of funds for the establishment of an agricultural S&T development fund should include some categories of fees: an increased portion of operating fees, funds received from compensation contracts for development projects, and collection of agricultural technology improvement fees. Scientific research and education units are entrepreneurial units that must be well run. At the same time, they must also be concerned about economic benefits. When economic benefits and social benefits clash, social benefits must take precedence.

In this reform, research institutes that have matured sufficiently may gradually institute a personal responsibility system and a tenure system for the institute director. Within research institutions, full respect should be accorded to S&T personnel and they should exercise their full rights. Various kinds of responsibility systems should be established and instituted, and democratic management should be strengthened. In addition, the self-determination of research institutes and research problem teams should be expanded. Institutes having requisite conditions may gradually try out an S&T personnel appointment system or free association. The party organization in research organizations should use the enhancement of ideological and political work to insure and supervise the execution of all plans and policies, coordinate with and support the effective implementation of an institute director responsibility system, and promote speedy development of the state of China's agricultural S&T.

C. Serious Attention to the Features of Agricultural S&T Work, Uphold the Two Combinations of Three of Scientific Research, Education, and Extension and the

Laboratory, the Test Site, and Rural Centers, and Widespread Development of Cooperation in Research Inside the Country and Abroad

Science stems from practice and practice enriches science in turn. The main object of agricultural research is living organisms replete with complex and contradictory activities, whose condition is ever changing and that are frequently difficult to control, thus exhibiting strong time, place, and condition characteristics. Experimental research cycles are also fairly long. This requires agricultural research to depend on the broad masses of S&T personnel and agricultural producers who strive unflinchingly to do a good job and gradually to deepen their knowledge of laws through long periods of scientific experimentation and constant exploration of production practices. Numerous projects do not produce results overnight but require protracted effort and continuous research. Therefore, the burgeoning of science and technology requires a guiding thought of serious attention to production, serious attention to practice, constantly amplifying the content of the research through practice in production to raise the level of science and technology. In workstyle and methodology it is necessary to adhere to the two orientations of three of scientific research, education, and promotion and of the laboratory, the test site, and the rural centers as well as to expand the development of cooperative research inside the country and abroad. During the Seventh 5-Year Plan, the main direction of attack in research on agriculture, animal husbandry, and fisheries is: (1) further clarification of the various natural resources for agriculture, completion of comprehensive zoning and specialized zoning of agriculture, designation of different areas for equitable development, and plans for the use and protection of natural resources for agriculture; (2) collection and preservation of germ plasm resources for all kinds of farm crops, livestock, poultry, silkworms, bees, fish, national biological enemies, and agricultural micro-organisms; selection of high-yield, premium-quality, multiply resistant, new varieties of major farm crops, livestock, poultry, silkworms, bees, and fish as well as special varieties of renowned, special, premium or foreign export products; (3) research to propose key intermediate and low-yield areas that should be tackled in a comprehensive way and for which techniques should be developed, and to propose technical plans for the building of all kinds of modern commodity bases; (4) research to formulate complete technical systems for high yields, consistent yields, premium quality, and low consumption in the growing of major farm crops, the feeding and care of livestock, poultry, silkworms, bees, and fish in different kinds of areas; (5) research to come up with techniques for local processing, preservation of freshness, storage, transportation, and multiple uses of various farm, livestock, and aquatic products; (6) research to solve technical problems involving the production, quality, and marketing for large and medium-size cities and for industrial and mining areas of meat poultry, eggs, milk, fish, fresh vegetables, melons and fruits, and flowers; (7) research on the application to agricultural production and research of electronic computers, remote sensing, nuclear techniques, and biotechnology, as well as research on theoretical problems concerning agricultural biology germ plasm laws, genetic laws, regulation of growth and development, and the laws of chemical changes in products; (8) research on problems related to overall policy decisions such as strategies for the development of agriculture (including development of grain), economic structures, administration and management, technical transformation,

technology policies, commodity prices, market information, S&T information and economic evaluation.

During the period immediately following founding of the People's Republic, we devoted diligent attention to several key problems urgently requiring study and solution because the country's agricultural production had S&T problems during the period of its revival and development. Examples of such problems were the growing and breeding of fine varieties of various farm crops, prevention and control of damage from migratory locusts, and prevention and control of wheat rust, hog cholera, and chicken pest. Outstanding results were achieved that made contributions to the development of agricultural production. Another example was research and development of a low-toxicity vaccine for equine infectious anemia, which was successful after more than 20 years of continuous research. This vaccine holds a leading position in the world today. Yet another example occurred during the past several years when the orientation of scientific research was readjusted to meet the needs of the entry of China's agricultural production into the "two transformations" and the "three levels" pivotal period in history. This readjustment initiated research on a number of key national S&T projects and special research studies having to do with the breeding of fine varieties and breeds of farm crops, livestock, and poultry, and all-round techniques for increasing yields in agricultural areas as well as "overall research on the development of grain and cash crops," "research on complete harnessing and complete development of the Huang, Huai, and Hai plains," "research on dryland agriculture in north China," and such key projects, all of which are closely related to production and as a result of which fairly remarkable results were scored. Science and technology is productivity. From the crafting of topics for research to the application of techniques in agricultural research, there must be a close correlation with life's realities; it is extremely necessary to help solve crucial problems in production. However, in the orientation of agricultural research toward production problems, it is necessary to avoid a confrontation between scientific research and production in a repetition of the simplistic and incorrect tendency to substitute production for research.

As the realm of science expands and research becomes more pervasive, distinctions among sciences become finer and finer and the branches of science become greater and greater. This plus the overlapping of sciences has given rise to numerous peripheral sciences, and there is mutual overlapping, blending, and permeating of sciences. Consequently this trend of development of modern science requires that we make vigorous efforts to strengthen lateral links and coordinate the tackling of problems in conducting scientific research. Before beginning research on some important topics, factual argumentation should take place to work out unified research programs and plans. Topics should be broken down as the overall job requires and specific research goals, thoughts on design, requirements, pace, and actions to be taken should be set for each of the research topics. All cooperating units should individually undertake research tasks according to unified plan requirements, and each of them should carry out experimental research in different units or in different places. Alternatively they may conduct completely integrated research. These methods produce better results. For example, in vertical structuring, China's successful breeding of long-grain hybrid rice resulted from the organization of more than 100 scientific

research and educational units in more than 10 provinces nationwide for coordinated research. In the overlapping lateral structure, the Rural Policy Research Center of the CPC Central Committee Secretariat and the Rural Development Research Center of the State Council mandated the Chinese Academy of Agricultural Sciences to be in charge of research on grain and cash crops, and recently the Chinese Academy of Agricultural Sciences was awarded a Merit Citation First-Class for outstanding accomplishments in national rural socioeconomic development. Participants in this research work included 12 central government ministries and commissions, nine institutions of higher learning and scientific research units, and 20 specialized research institutes subordinate to the Chinese Academy of Agricultural Sciences with more than 200 personnel who waged coordinated warfare. These successful experiences should be continued and be steadily improved and strengthened in practice.

Leading units concerned in China have always attached extremely great importance to the development of research in cooperation with foreign countries. Currently, not only has China established cooperative relationships with more than 10 international agricultural research organizations including the International Paddy Rice Institute, the International Wheat and Corn Improvement Center, the International Semiarid Research Center, the International Potato Research Center, the Columbia Tropical Arid Research Center, the Syrian Arid Research Center, and the International Fertilizer Center, but it has also established cooperative relationships with agricultural and scientific units in some countries. In recent years, China has introduced some advanced techniques from foreign countries, such as plastic mulch ground-cover techniques, minimum-altitude spraying techniques, and new types of experimental apparatus and equipment. At the same time, it has exchanged farm crop and tree, livestock and vegetable germ plasm, breed selections, insects, natural enemies, bacterial strains, vaccines, etc. with some countries. There has also been progress on mutual visits by experts, scholars and S&T personnel to lecture, teach, participate in academic conferences and to launch cooperative research. Not only have these been very beneficial in the promotion of international contacts, advancing friendship and expanding influence, but they have also been useful in the development of China's agricultural science and agricultural production. They should be further strengthened in the future.

We firmly believe that under the correct leadership of the party and government and as a result of the joint efforts of the broad masses of S&T personnel, China's agricultural science is bound to grow and flourish, to change with each passing day, and to develop rapidly.

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TRANSPORTATION

SHANDONG RECEPTION MARKS OPENING OF NEW FLIGHT SERVICE

SK080751 Jinan Shandong Provincial Service in Mandarin 2300 GMT 7 Apr 87

[Text] On the evening of 7 April at the Nanjiao Guesthouse, the provincial People's Government held a reception to mark the formal opening of a flight service between Beijing and Jinan and Guangzhou sponsored by the Shandong Branch of the China Aviation Corporation.

Li Changan, deputy secretary of the provincial party committee and governor of the province; and Li Jiulong, commander of the Jinan Military Region; successively delivered speeches at the reception. On behalf of the provincial party committee, the provincial government, and the Jinan Military Region, they congratulated the opening of the flight service.

They pointed out in their speeches: The opening of this flight service will play a positive role in strengthening cooperation and exchange in the political, economic, cultural, scientific, and technological fields between Shandong Province and other places; in improving transportation conditions; and facilitating the development of the tourist trade. Thus, from now on, we will continue to open new air routes in order to suite the demands of reform, opening to the outside world, and the four modernizations.

(Song Wenzhou), deputy commander of the air force under the Jinan Military Region, also made a speech at the reception.

Chi Haotian, political commissar of the Jinan Military Region, attended the reception. Attending the reception were responsible comrades of the province and Jinan City, including Jiang Chunwen, Liu Zhongqian, Li Farong, Xiao Han, Tan Qinglian, Zhu Qimin, Li Zichao, Liu Yong, and Zhai Yongbo.

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TRANSPORTATION

BRIEFS

SHANGHAI PLANT BUILDING PASSENGER PLANS--Shanghai, 1 Apr (XINHUA)--The first MD-82 passenger aircraft made by the Shanghai aircraft factory is undergoing special tests and will be test-flown before July. Jing Deyuan, director of the factory, said that the first plane will be delivered to the Shenyang civil aviation administration by the end of July. The Shanghai aircraft factory is making three such planes and a fourth is planned. In cooperation with the McDonnell-Douglas Aircraft Corp. of the United States, the Shanghai Aircraft Industrial Corp. will produce 25 MD-82 passenger planes from this year to 1991 and all will be delivered to customers in China. [Text] [Beijing XINHUA in English 1325 GMT 1 Apr 87] /9599

AIRCRAFT INSTITUTIONS COMBINED--Shanghai, 4 Apr (XINHUA)--China Ocean Helicopter Corp. Shanghai branch has become a subsidiary of Shanghai Aviation Co. according to a contract signed yesterday. The corporation is under the dual leadership of China Ocean Helicopter Corp. and Shanghai Aviation Co. and is called "Shanghai Aviation Co. Ocean Helicopter Co." China Ocean Helicopter Corp. Shanghai branch was founded in May 1985 and mainly serves the ocean oil prospecting. Since it combined with Shanghai Aviation Co. its characteristics of flexible management and having more decisionmaking power will be given fuller play with the care of the Shanghai government. In addition to the ocean oil prospecting, exploitation, and tourist services the company will extend its business scope in air pollution inspecting. [Text] [Beijing XINHUA in English 1546 GMT 4 Apr 87 OW] /9599

CSO: 4020/155

CHINESE MEDIA ON FOREIGN ECONOMIES

PRICE REFORM IN CHINA, HUNGARY COMPARED

Tianjin ZHONGQINGNIAN JINGJI LUNTAN [YOUNG ECONOMISTS FORUM] in Chinese No 1 Jan 87 pp 64-67

[Article by Wang Zhengpie [3769 2973 3099] and Tang Hao [0781 6275]: "Dual Pricing and Double-Track Pricing"]

[Text] What price model should a socialist economy adopt to facilitate the rational allocation of major elements of production and the effective utilization of social resources? This has become the focus of attention of economic theoretical communities in all socialist nations. Since the nations vary in their economic environments and their interpretations of socialist economic theories and proposals, they have chosen different socialist economic models, including price models.

1. Dual Pricing and Double-Track Pricing

Under Hungary's dual pricing system, separate accounting systems are kept for producer prices (prices of means of production) and consumer prices (prices of consumer goods). In other words, the links between the market for means of production and the market for consumer goods are severed administratively, forming an independent system of producer prices and an independent system of consumer prices. At the same time, a special tax system is used to regulate the relations among the prices of means of production, the prices of consumer goods, and production costs to ensure that enterprises in different lines of production would make a reasonable profit on the sale of their products.

Dual pricing divides the commodity market and the general price system vertically. Specifically, the Hungarian government has extensively deregulated producer prices. As for means of production under planning control, the government has also gradually sought to bring their domestic and foreign prices in line with each other since 1980. On the other hand, consumer prices are still subject to strict official control.

Under China's double-track pricing system, an identical product is priced differently on different markets--planned market and free market. Between the official prices and market prices exist a definite gap. Strictly speaking, China's double-track pricing system exists only or primarily on the market for means of production. Only after they fulfill the quotas in the plan can

enterprises turning out means of production sell the above-quota portion at free prices on the market outside the plan.

In essence, double-track pricing severs the pricing system horizontally. The result is the existence of two different prices on different markets for the same product. Meanwhile, there has also appeared on China's consumer goods market a mixed price model which differs from both dual pricing and double-track pricing. On the one hand, apart from vital consumer goods, the sale and purchase prices of a wide range of products are set by enterprises at high levels. On the other hand, as far as consumer goods under state planning control are concerned, they are not sold at free market prices just because of mandatory increases in the prices of means of production or because production enterprises purchase raw materials at free market prices.

In terms of mechanisms, the two price systems in China and Hungary have many similarities. They are:

1. Both are designed to make use of the positive effects of market mechanisms and bring about an organic integration between planning and the market.
2. Both are designed to exploit prices as a lever to regulate production, circulation, and distribution, and keep retail prices basically stable.
3. In implementing dual pricing or double-track pricing, both nations have broken with the traditional highly centralized system of price control and allowed the coexistence of planned prices, floating prices, and market prices.

Given the particular economic conditions in the two nations, the social and economic advantages and disadvantages of dual pricing and double-track pricing are evident.

Since Hungary largely relies on imports for its major industrial raw materials, its domestic producer prices are highly susceptible to fluctuations in the prices of raw materials and primary products on the international marketplace. In 1980 Hungary linked domestic prices of raw materials to their foreign counterparts, making dual pricing the only way to maintain the basic stability of the price level of domestic consumer goods. For years before domestic prices were pegged to international prices, however, raw materials and primary products were underpriced in Hungary. Differences between the prices of domestic and imported raw materials have always been covered by the government out of its revenues. To a certain extent this has encouraged processing enterprises to be wasteful in the use of raw materials and hidden the actual economic results of processed products that are exported. Consequently, after dual pricing came into effect and producer prices were largely deregulated, processing enterprises in the nation have been able to raise their economic results along with those of their exports.

While producer prices may go up because of rising international prices or increasing production costs at home, dual pricing sees to it that consumer prices remain under a tight lid. This made it difficult to run enterprises manufacturing consumer goods. Consequently the government had no choice but to provide these enterprises with financial subsidies. As producer prices climbed and the volume of consumer goods expanded, so did the financial burden on the government become heavier and heavier. In 1971, financial subsidies in Hungary amounted to 2 billion forints; by 1978 the figure had soared to a high

40 billion forints. Financial subsidies of this magnitude not only compound Hungary's fiscal difficulties but also undermine the effectiveness of prices as a regulator of consumption. Much against its will, therefore, the Hungarian government raised consumer prices, thereby triggering off a price spiral, with consumer prices and producer prices with each rising in turn.

Compared to Hungary, China's consumer prices are essentially stable. In some instances, the rising prices of consumer goods are not related to the double-track pricing system involving means of production. After the appearance of a market for means of production outside the plan, enterprises which make such products have displayed more initiative: by selling their above-quota products at market prices, they have been able to raise their otherwise depressed effects and offset other losses to a certain extent. For a short while, the supply of the entire spectrum of means of production increased. Because material supply agencies directly or indirectly took part in the selling and buying of means of production outside the plan, interregional goods circulation has picked up significantly. Raw materials shortages experienced by processing enterprises, too, have eased, which explains why many township enterprises have been able to survive and grow. Furthermore, investments in raw material production in the interior by coastal industries cities, which do not produce raw materials, have also grown markedly. With major consumer goods still under government price control, the entry of means of production into the market and steadily rising market prices have not disrupted retail prices on the market in any obvious way.

Nevertheless, the supply of means of production in China, particularly energy, iron, steel, and key construction materials, has always trailed demand. Following the implementation of double-track pricing, the number of imported projects has risen, along with an increase in new plant construction and expansion, so the scale of capital construction has never been effectively checked. Add the inelasticity of price demand of means of production, and the result is dramatic rises in the market prices of leading raw materials within a short 2 to 3 years. Rolled steel costs over 1,800 yuan on the market, which is more than 200 percent over and above its list price. In the case of lumber and coal, too, the differences between list prices and market prices hover around 100 percent, reaching a high 150 percent at one point. Owing to an absence of strict control on means of production within the plan, enterprises and material supply agencies often shift products out of the plan for sale at market prices. A number of material supply agencies even de-standardize products that meet specifications, for example, by sawing standard timber into smaller pieces, and sell them at market prices.

Moreover, the market accounts for a considerable and gradually rising portion of the total volume of means of production in China. Not only do small and medium-sized enterprises purchase large quantities of raw materials at market prices. Even large enterprises which used to get their raw materials through allocation by material supply agencies at official prices have often been forced to turn to the free market. Then, too, processing enterprises in different regions differ in the extent of their reliance on raw materials secured at market prices. As a yardstick of economic accounting and economic results, therefore, prices have been severely weakened.

There is no question that the shortcomings of Hungary's dual pricing have long been noted and that the negative effects of double-tracking pricing have also caught the eye of China's economic theoretical community. Should they be kept or abolished? If we keep them, can they coexist in a unified price system and be made more useful?

2. The Coexistence of and Relations between Dual Pricing and Double-Track Pricing

An important reason for implementing dual pricing is to maintain the prices of consumer goods at a basically stable level, but this is not the only reason. Since the level of productive forces in all socialist nations has not reached that in advanced capitalist nations, accumulation must stay appropriately high in order to develop productive forces. Consequently, people's income levels cannot be improved quickly for a long time to come. On the other hand, since underpricing primary products, overpricing manufactured products, and the price scissors in the exchange of industrial products for agricultural products are problems all socialist nations have faced at some point, they cannot use market forces to stabilize consumer prices at a time when they are also raising the prices of means of production. For this reason, dual pricing is common to many socialist nations. The difference is just one of degree. Also, if a nation is not self-sufficient in means of production, primarily raw materials and energy, and must depend on the international marketplace, it should all the more consider adopting dual pricing. Otherwise, sudden changes in the international marketplace will directly impact the livelihood of the masses and subject society to profound shocks.

Ultimately, however, dual pricing is the result of economic management by administrative fiat and violates objective economic principles in many ways. It must be admitted that as social productive forces and people's incomes go up, dual pricing will become a transition in history in the end. That much has been recognized by Hungarian economists.

In contrast to dual pricing, double-track pricing retains its objective inevitability despite the many failings that have been laid bare. In experimenting with double-tracking pricing, China originally hoped to fire the initiative of the producers and sellers of means of production and balance the supply and demand of means of production in volume and structure. But double-track pricing has also served other objective purposes: by analyzing double-track pricing and the differences between list and market prices, we have been able to quickly assess the reasonableness of planned prices, the extent to which planned prices should be adjusted, and the ability of production enterprises to absorb internally increases in raw material prices. In fact, because the government had no effective control mechanisms and the scale of capital construction rapidly got out of hand following the implementation of double-track pricing, the differences between the two sets of prices far exceeded initial projections, leading to a range of undesirable consequences. Be that as it may, it is clearly unfair to blame all of them on double-track pricing and reject the system totally.

The transitional nature of dual pricing and the inevitability of double-track pricing in some ways clearly demonstrate the possibility of coexistence

between them. Given the present circumstances, however, their coexistence would have to be strictly circumscribed. The extensive applicability of their coexistence remains to be investigated.

Before we answer that question, we must analyze the relations between dual pricing and double-track pricing under coexistence. Let's assume that producer prices and consumer prices remain independent of one another and that the government strictly controls consumer prices but decontrols producer prices to a large extent. Should we at this point bring the prices of means of production under double-track pricing, the shortage of means of production will first cause the prices of the above-quota portion to soar. The prices of consumer goods are rigidly controlled. But if the government neither financially subsidizes consumer goods producers nor gives them tax and other preferences, the prices of means of production will stabilize once they reach a certain level where demand levels off. Chain price increases may appear within the system of producer prices, particularly in such products as coal, electricity, energy, rolled steel, mining machinery etc., which are required for the making of one another.

In the absence of dual pricing or when the government imposes price control on only a small number of key articles of daily use, rising market prices of means of production will necessarily affect the prices of consumer goods outside the plan. Yet the market prices of means of production will stop rising and stabilize only when the prices of consumer goods are checked by limits on the purchasing power of urban and rural residents. It can thus be seen that when there is a shortage of means of production and when such means of production are underpriced, dual pricing and the scope and extent to which the prices of consumer goods are controlled powerfully restrain rising market prices under double-track pricing.

You may call official prices and market prices in double-track pricing under dual pricing "two vehicles racing on the road." But in the absence of government financial subsidies or tax cuts for production enterprises, strict price control on consumer goods cannot but put a cap on the total demand of the production of consumer goods for means of production. Correspondingly, if we multiply the total supply of means of production by the weighted average of planned prices and market prices, the product is total demand for means of production. Should we raise the official prices of means of production without changing the total supply of means of production, we can sell a fixed quantity of above-quota means of production at lower prices to keep total supply and total demand in balance. We can therefore see that under dual pricing, raising the official prices of means of production will lead to a drop in their market prices, or at least will not cause them to rise.

It is clear that dual pricing and double track pricing can coexist. Such coexistence can both keep retail market prices basically stable and prevent the prices of means of production from soaring, particularly stop their market prices from rising excessively. Within producer prices themselves, but for the increases in market prices resulting from the rising demand of enterprises producing consumer goods for means of production, the excessively wide gaps between list and market prices suggest that the official prices of means of production should be increased. This way, changes in the prices of means of

production and appropriate differences between list and market prices are bound to have positive effects on the rational allocation of elements of production and effective utilization of social resources. Under these circumstances, we can fully exploit the advantages of the two systems.

If the government implements its fiscal and income policies properly and provided the following conditions are satisfied, the advantages of dual pricing and double-track pricing will be even more evident:

1. Price control on consumer goods does not result from a severe shortage of goods. In other words, consumer goods are being produced in a quantity essentially compatible with rising incomes and expanding consumption needs.
2. The gap between the supply and demand of means of production is not overly wide, while the supply of domestic means of production account for a substantial portion of total demand, preferably over 70 percent.
3. Technological progress, the expansion of enterprise autonomy, and increasing enterprise vitality may help ensure that enterprises can absorb some of the price increases affecting means of production.
4. Government applies other economic levers besides prices. The socioeconomic climate remains fairly relaxed.

3. Considerations and Choices in Price Reform in China

Although we have yet to clearly define our stand regarding the coexistence of dual pricing and double-track pricing and their inevitability and feasibility in China's price reform, their union in the initial stage of price reform in China is an objective fact.

We believe that from the perspective of the social price system as a whole, the coexistence between dual pricing and double-track pricing can take place at three levels:

First level: The prices of important means of production and means of livelihood should be centrally controlled by the government. The adjustment of the prices of means of production should be separated from that of the prices of means of livelihood; the two should not influence each other. Even as we control the prices of means of production, the opening of the market for means of production should continue. National guidance planning should cover these two aspects: first, above-quota output as a percentage of the total supply of the means of production concerned and, two, the differences between list and market prices.

Second level: the prices of ordinary means of production and consumer goods may be controlled by the departments in charge or price agencies. As far as consumer goods are concerned, floating prices should be the major price form. The proportion of the total supply of a means of production which is within the plan should be more or less equal to that outside the plan. Differences between list and market prices should be controlled, but sizable differences should be permitted. The planned prices and market prices of means of

production may change, but if the prices of consumer goods on this level do not change and if the prices of consumer goods and those of means of production remain partially unrelated to one another, the positive effects of dual pricing and double-track pricing still obtain.

Third level: We do not need dual pricing in regard to odd means of production and the third class of small articles. Nor do we need consider applying double-track pricing to them. The prices of these means of production and consumer goods mainly depend on the state of the prices at the two levels above. Thus they are the result of the joint operation of dual pricing and double track pricing.

In view of the current state in China's price system, we need to take reform measures on three fronts to bring about the coexistence of dual pricing and double-track pricing:

First, even as we step up price control on major consumer goods, we must specify the kinds of consumer goods where prices would float and set certain floating ranges. What must be said is that this measure should be implemented gradually. As far as the sequence of implementation is concerned, we should give the utmost consideration to the price demand elasticity of different consumer goods.

Second, turning to means of production, we should plan for increasing the prices of important raw materials. However, we should note their price supply inelasticity and increase prices gradually.

Third, after the above-mentioned reform measures are carried out, corresponding changes should be made in the country's financial policy and tax policy. Price increases for means of production should be timed to coincide with reductions in the regulation tax paid by enterprises manufacturing consumer goods. Provided they are making reasonable profits, the government may exempt these enterprises from paying other taxes or reduce their tax rates. If price increases for means of production create financial difficulties for enterprises making daily necessities, the state and local financial agencies must continue to subsidize them financially.

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